Tega Cay Water Services, Inc.
Cause No. ______

BEFORE THE

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

EXHIBIT

TO ACCOMPANY THE

PREPARED DIRECT TESTIMONY

OF

PAULINE M. AHERN, CRRA
PRINCIPAL
AUS CONSULTANTS

ON BEHALF OF

TEGA CAY WATER SERVICES, INC.

NOVEMBER 2012

Table of Contents
to Exhibit PMA-1
of Pauline M. Ahern, CRRA

Tega Cay Water Services, Inc.
Summary of Cost of Capital and Fair Rate of Return
Condolidated Capital Structure of Utilities, Inc. at December 31, 2011

Type of Capital	Ratios (1)	Cost Rate		Weighted Cost Rate
Long-Term Debt	50.25%	6.60%	(1)	3.32%
Common Equity	49.75%	10.80% - 11.30%	(2)	5.37% - 5.62%
Total	100.00%			8.69% - 8.94%

Notes:

(1) From Exhibit DWD-1, Schedule 1.

(2) Based upon informed judgment from the entire study, the principal results of which are summarized on page 2.

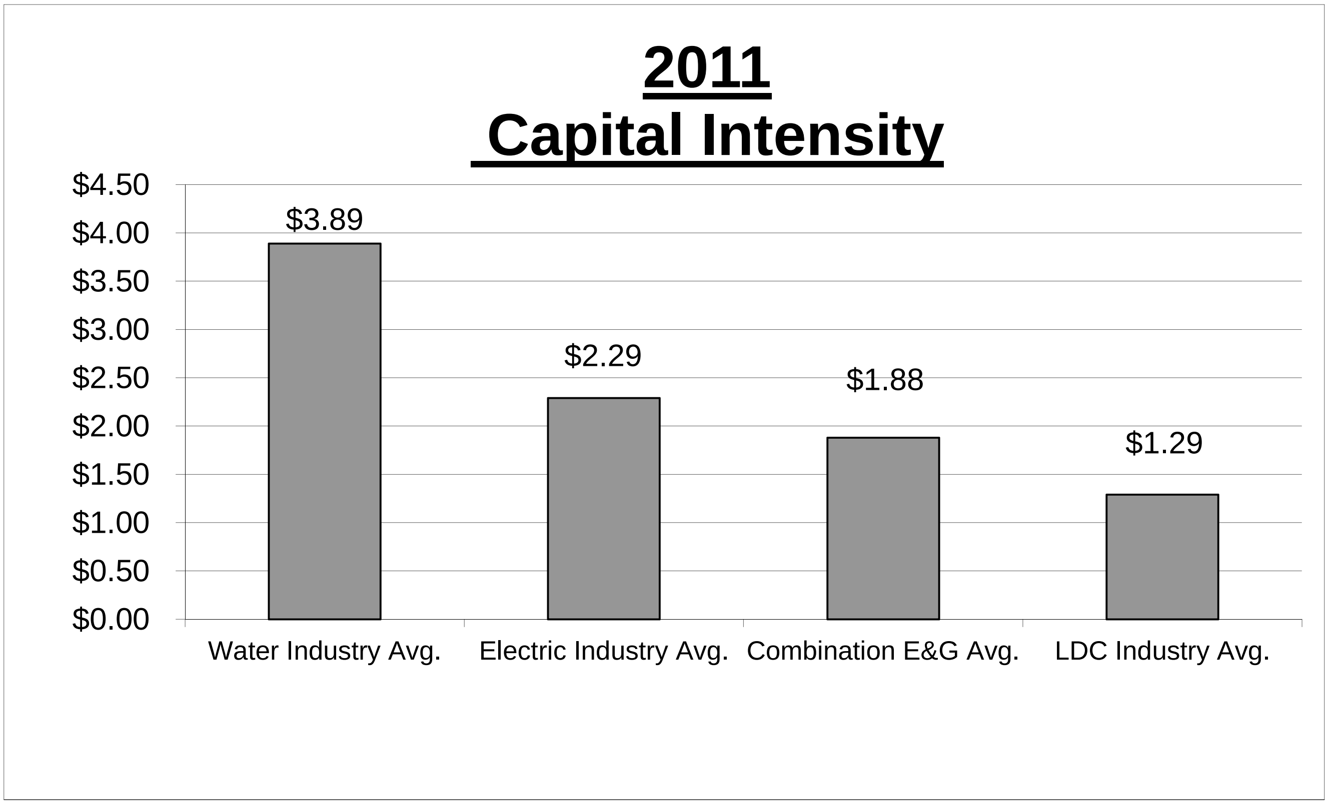
Tega Cay Water Services, Inc.
Brief Summary of Common Equity Cost Rate

No.	Principal Methods	Proxy Group of Nine Water Companies
1.	Discounted Cash Flow Model (DCF) (1)	8.82%
2.	Risk Premium Model (RPM) (2)	10.53%
3.	Capital Asset Pricing Model (CAPM) (3)	10.69%
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	13.00%
5.	Indicated Common Equity Cost Rate before Adjustment for Business Risks	10.70%
6	Business Risk Adjustment (5)	0.35%
7.	Indicated Common Equity Cost Rate	11.05%
8.	Range of Recommended Common Equity Cost Rate	10.80% - 11.30%

Notes:
(1) From Schedule 6.
(2) From page 1 of Schedule 8.
(3) From page 1 of Schedule 9.
(4) From page 1 of Schedule 10.
(5) Business risk adjustment to reflect Tega Cay Water Services, Inc.'s greater business risk due to its small size relative to the proxy group as detailed in Ms. Ahern's accompanying direct testimony.

Tega Cay Water Services, Inc.
2011 Capital Intensity of the
AUS Utility Reports Utility Companies Industry Averages

	Average Net Plant ($ mill)	Average Operating Revenue ($ mill)	Capital Intensity ($)
Water Industry Average	$ 2,083.68	$ 535.05	$ 3.89
Electric Industry Average	$ 13,849.32	$ 6,042.90	$ 2.29
Combination Elec. & Gas Industry Average	$ 11,649.44	$ 6,195.25	$ 1.88
Gas Distribution Average	$ 3,062.57	$ 2,382.29	$ 1.29



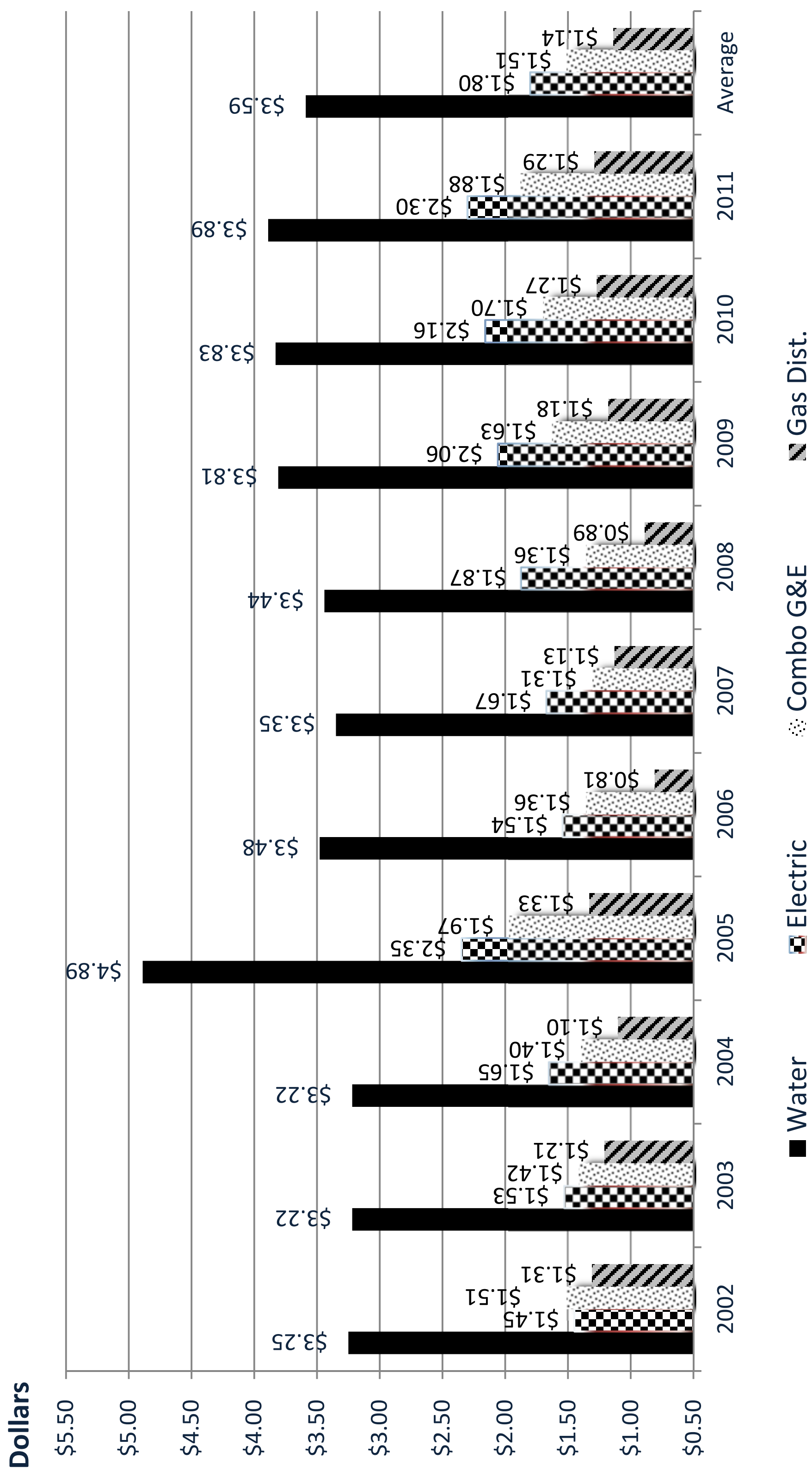
Notes:
Capital Intensity is equal to Net Plant divided by Total Operating Revenue.

Source of Information:
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Reports - May 2012
Published By AUS Consultants

Company Provided Information

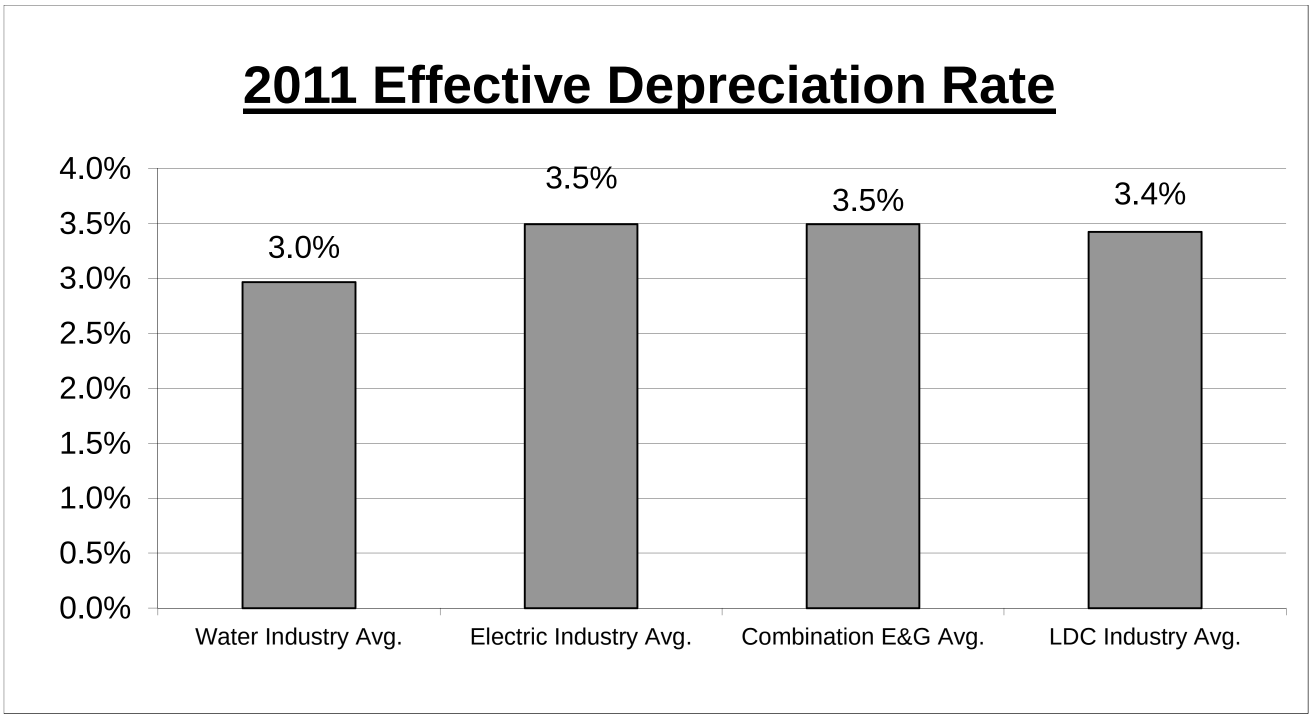
Capital Intensity of the AUS Utility Reports Companies
2002 - 2011



Source of Information: SEC Edgar I-Metrix Online Database

Tega Cay Water Services, Inc.
2011 Depreciation Rate of the
AUS Utility Reports Utility Companies Industry Averages

	Depreciation Depletion & Amort. Expense ($ mill)	Average Total Gross Plant Less CWIP ($ mill)	Depreciation Rate (%)
Water Industry Average	$ 68.22	$ 2,300.11	3.0%
Electric Industry Average	$ 632.49	$ 18,111.66	3.5%
Combination Elec. & Gas Industry Average	$ 560.74	$ 16,057.10	3.5%
LDC Gas Distribution Industry Average	$ 139.95	$ 4,089.98	3.4%



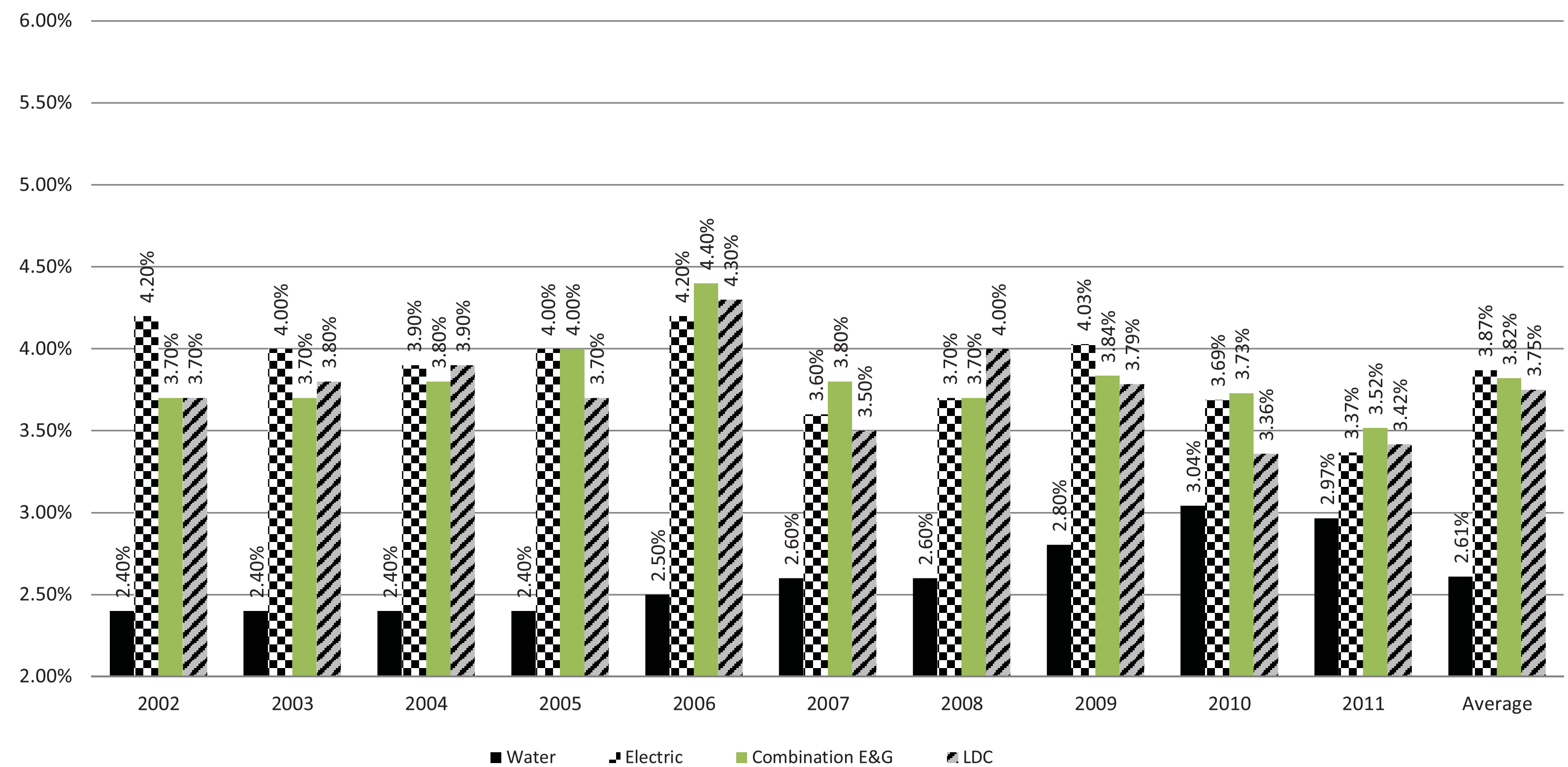
Notes:
Effective Depreciation Rate is equal to Depreciation, Depletion and Amortization Expense divided by average beginning and ending year's Gross Plant minus Construction Work in Progress.

Source of Information:
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Report - May 2012
Published by AUS Consultants

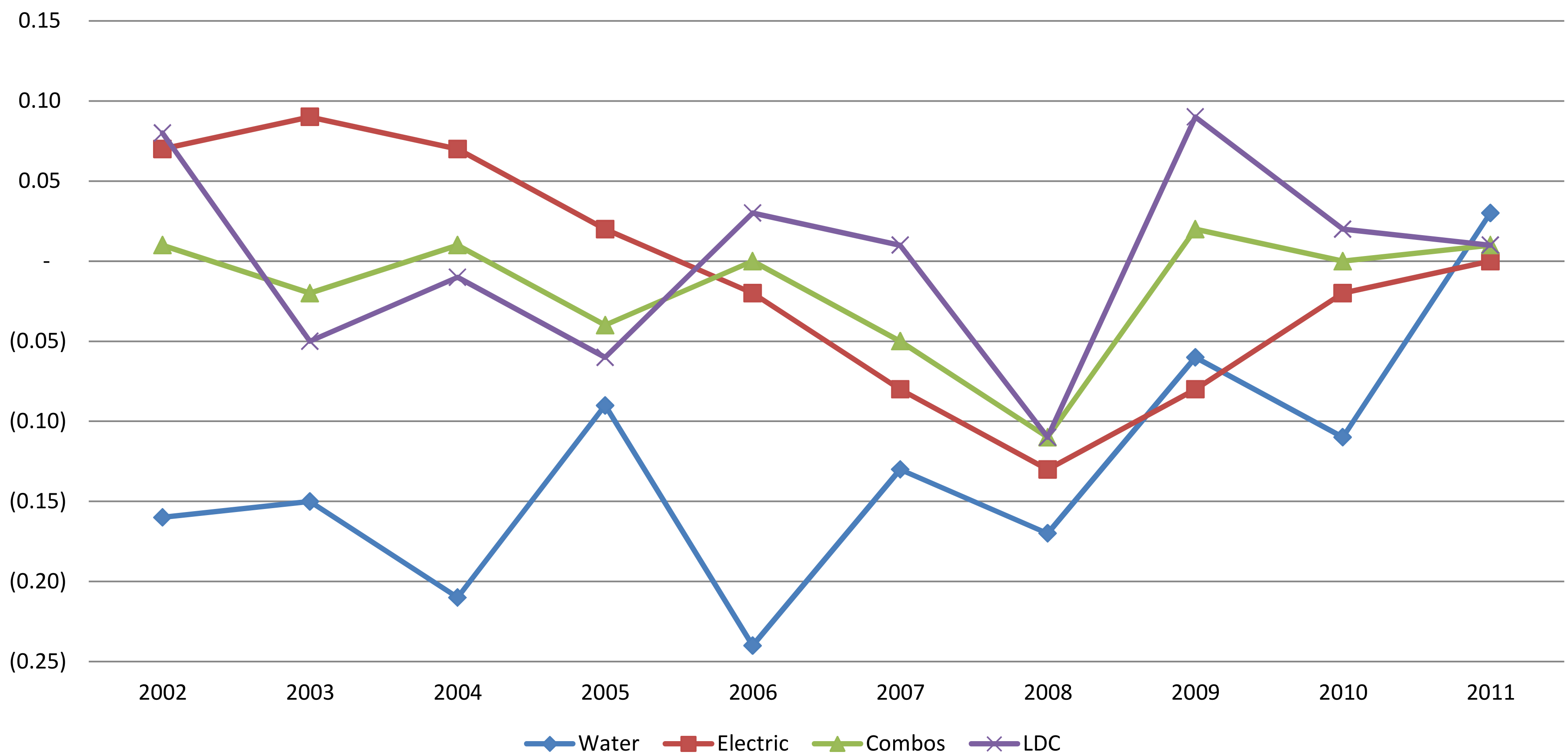
Company Provided Information

Depreciation Rates for the AUS Utility Reports Companies 2002-2011



Source of Information: SEC Edgar I-Metrix Online Database

Free Cash Flow / Operating Revenues for the AUS Utility Reports Companies 2002-2011



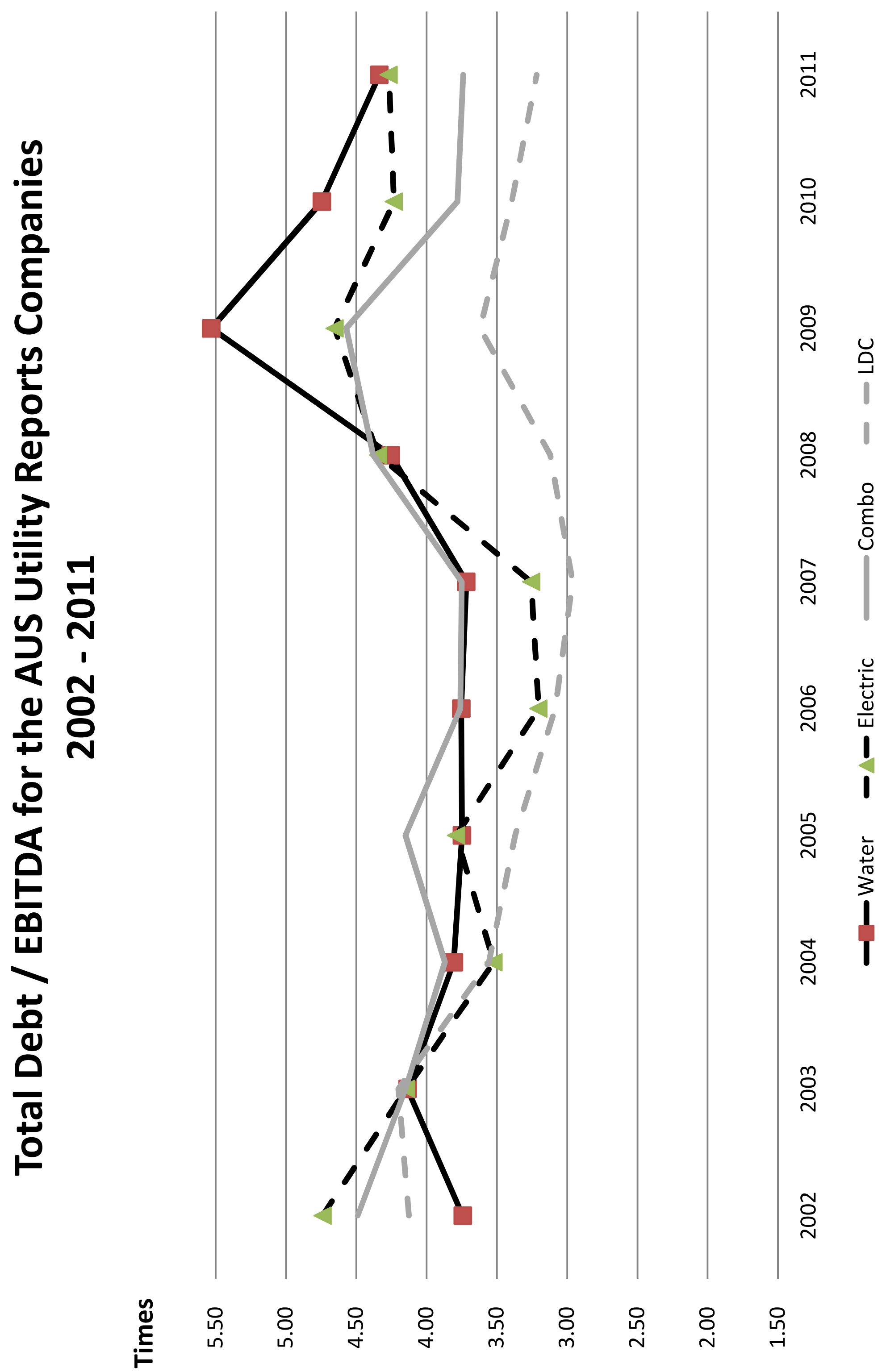
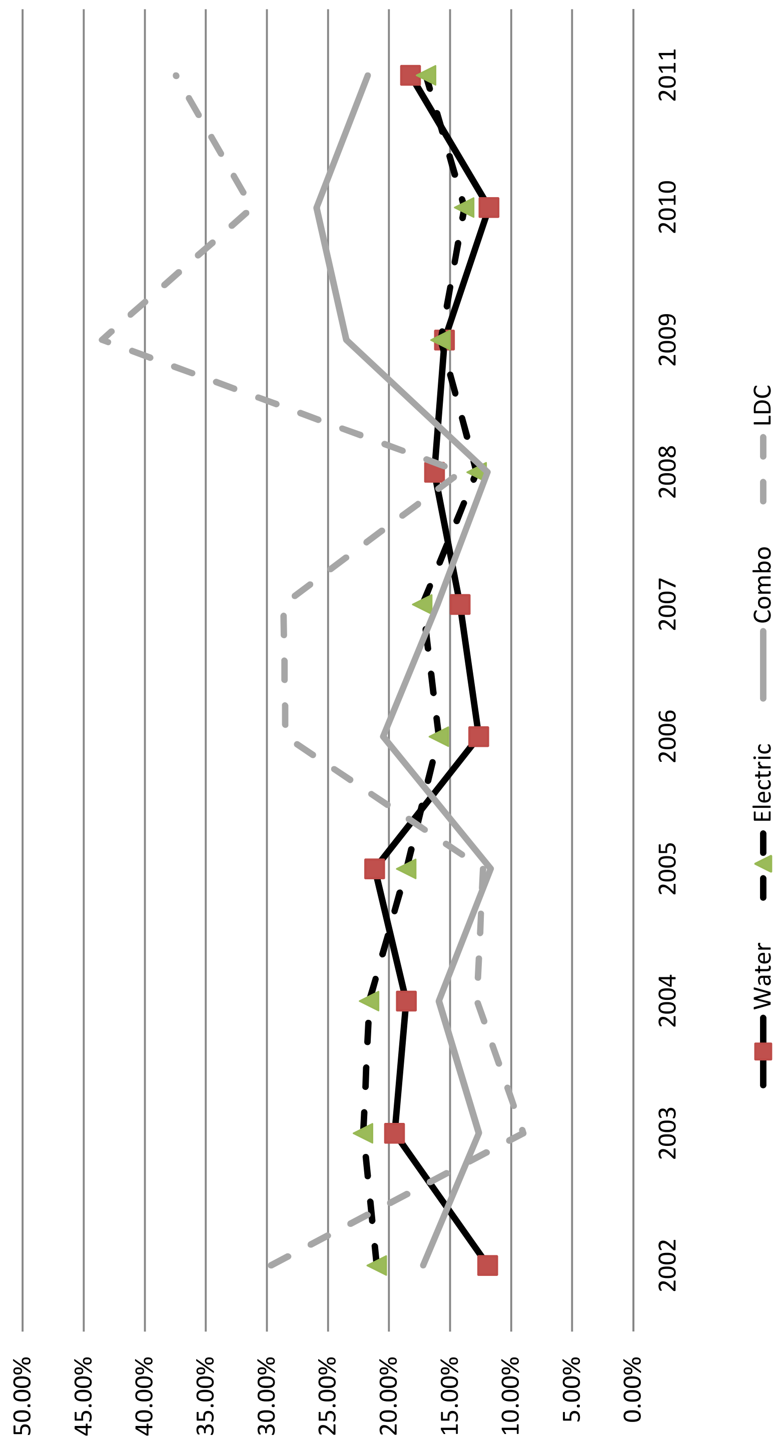
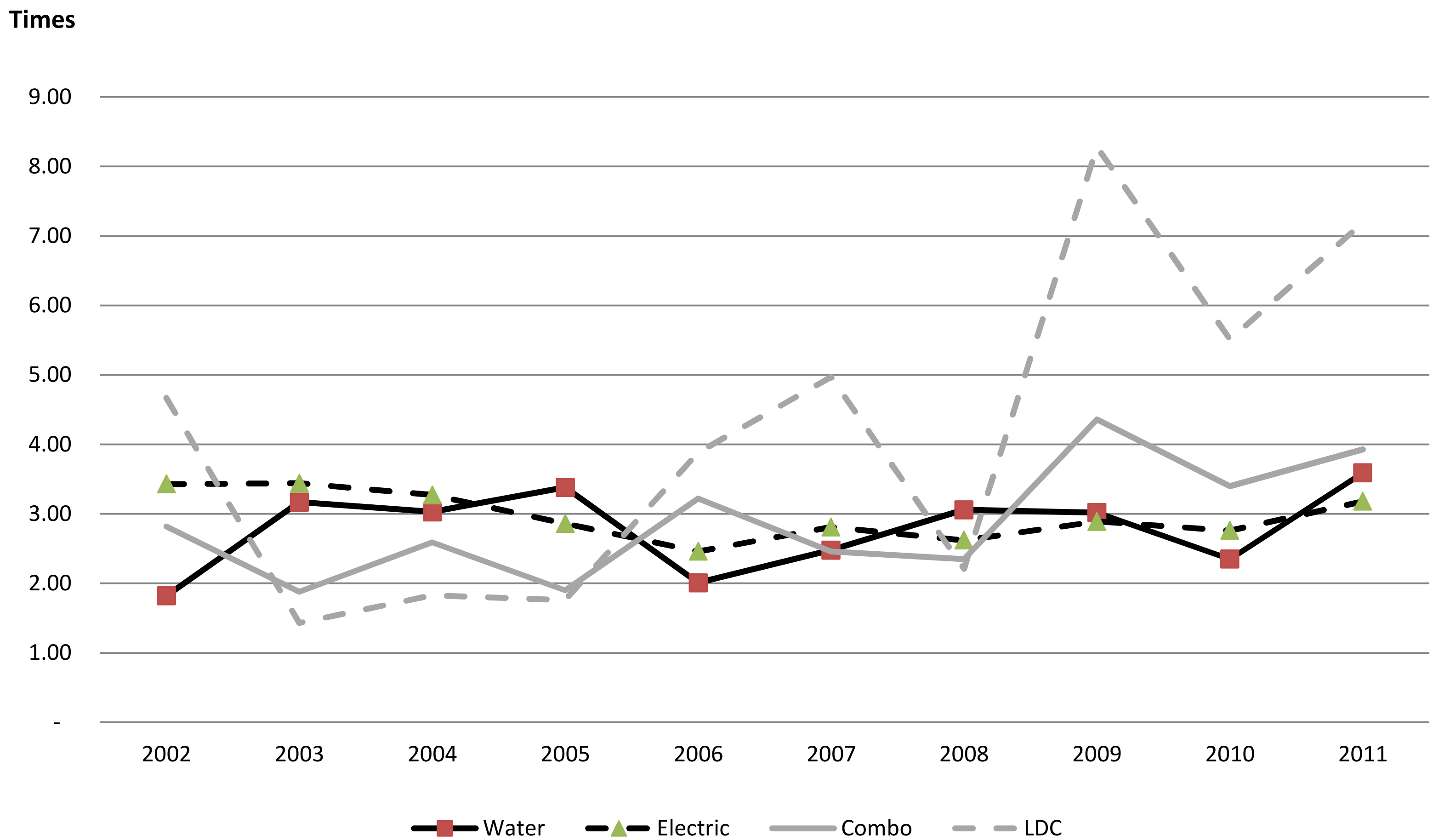

Total Debt / EBITDA for the AUS Utility Reports Companies
2002 - 2011
Times
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Water
Electric
Combo
LDC

Exhibit PMA-1
Schedule 3
Page 2 of 6

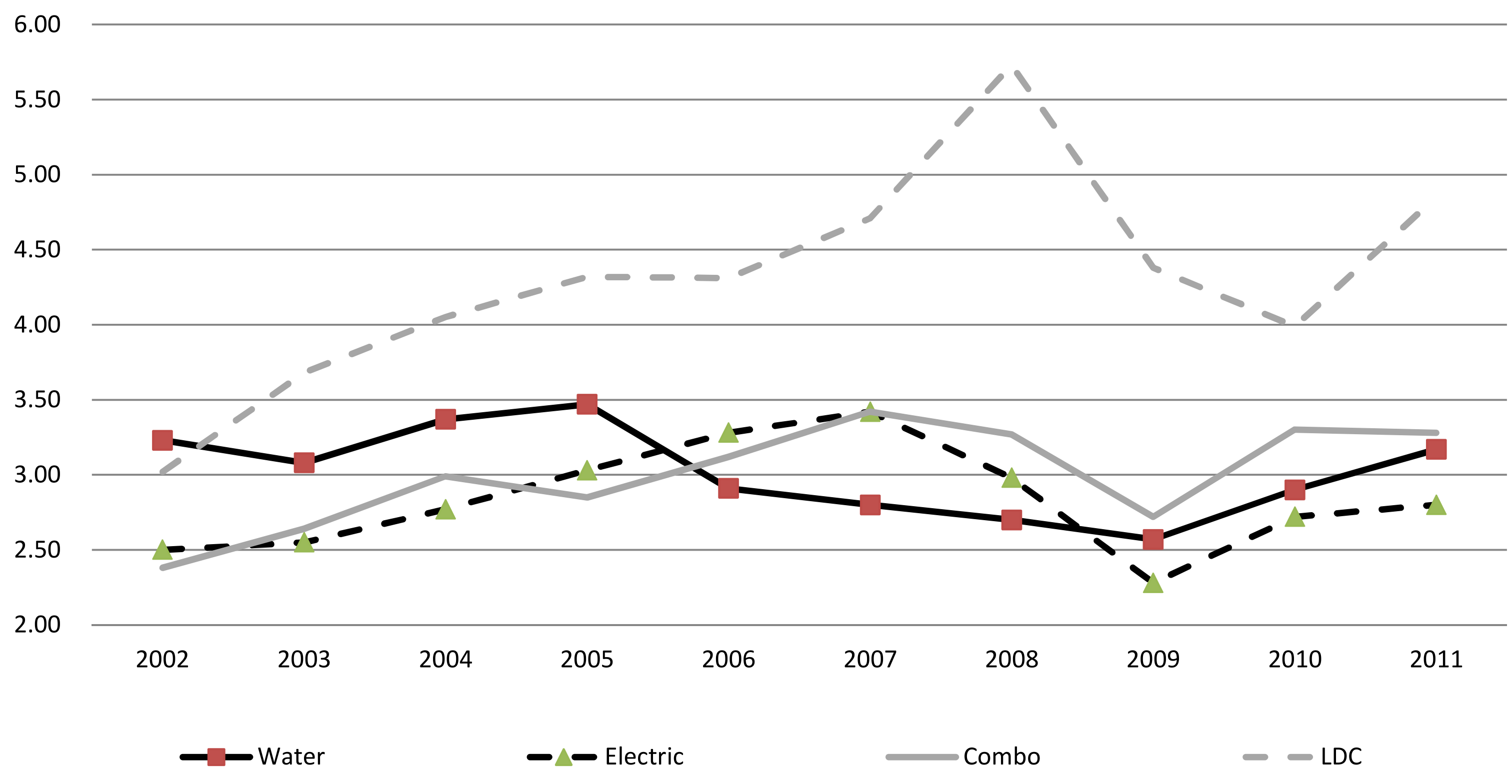
Funds From Ops / Total Debt for the AUS Utility Reports Cos.
2002 - 2011



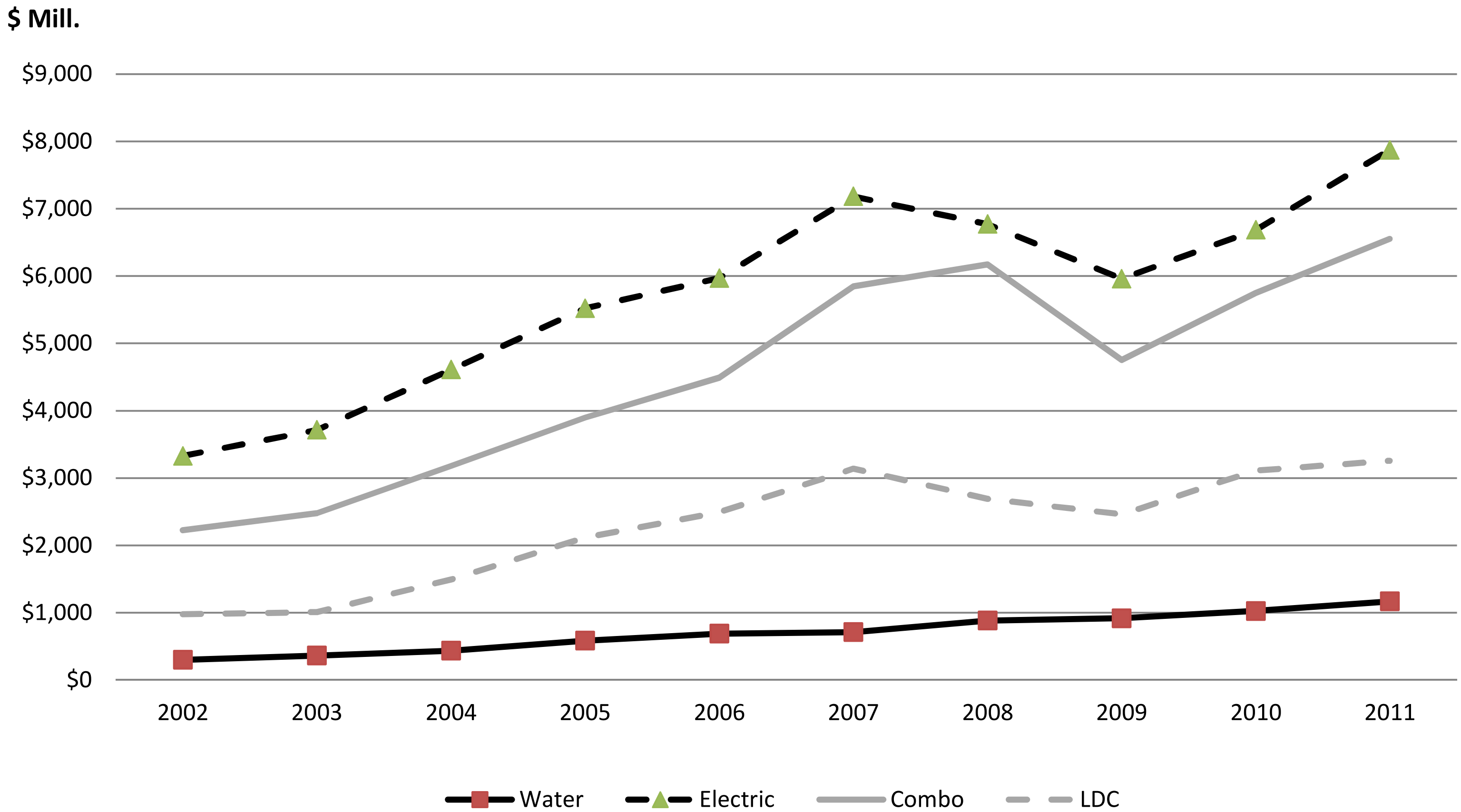
Funds From Ops / Interest Cov. for the AUS Utility Reports Cos.
2002 - 2011



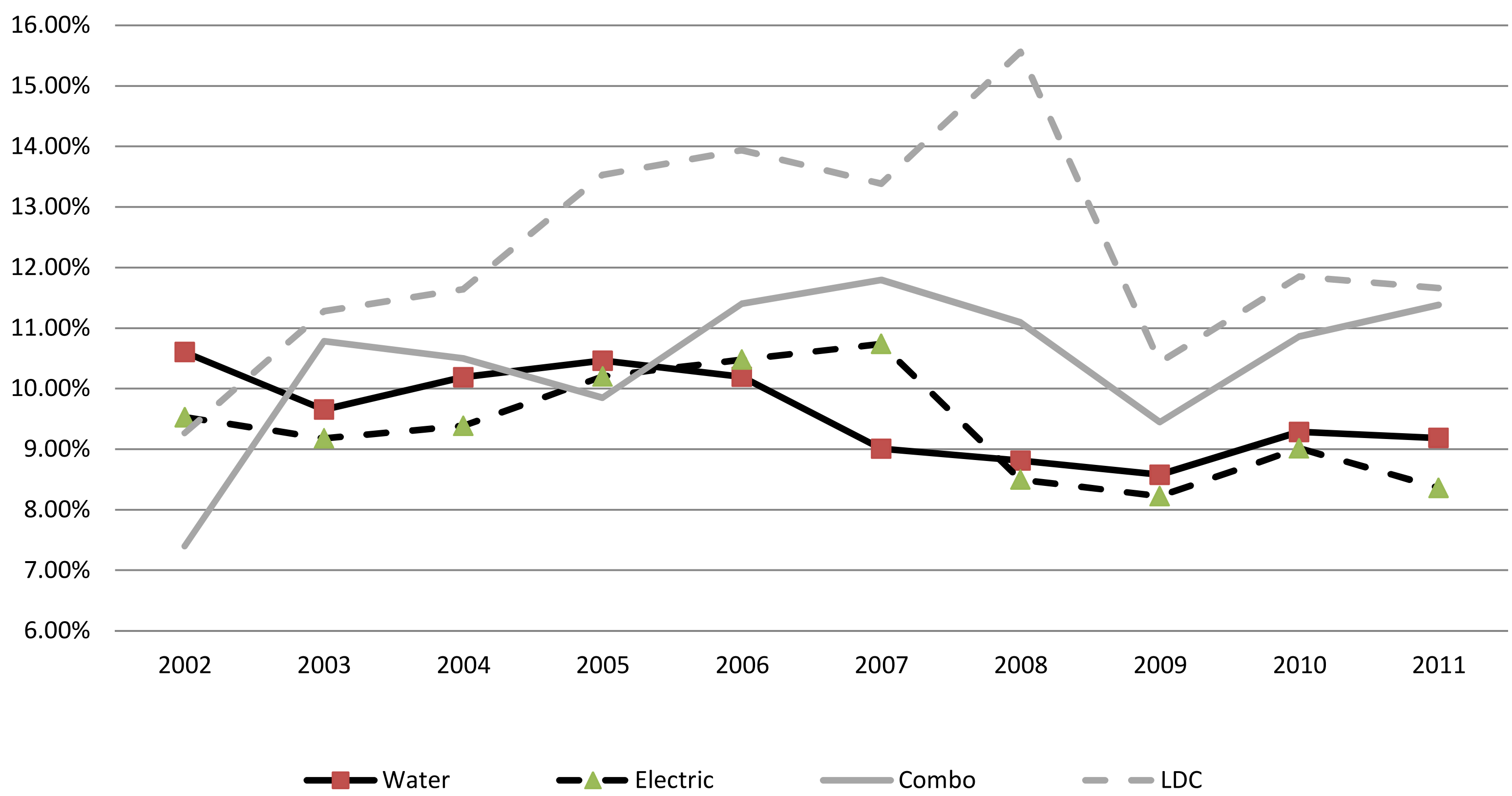
Before-Inc. Tax / Interest Cov. for the AUS Utility Reports Cos.
2002 - 2011



Market Capitalization for the AUS Utility Reports Companies
2002 - 2011



Earned Returns on Common Equity for the AUS Utility Reports Cos.
2002 - 2011



STANDARD
&POOR'S

RATINGSDIRECT®

May 27, 2009

Criteria | Corporates | General:

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

Primary Credit Analysts:
Solomon B Samson, New York (1) 212-438-7653; sol_samson@standardandpoors.com
Emmanuel Dubois-Pelerin, Paris (33) 1-4420-6673; emmanuel_dubois-pelerin@standardandpoors.com

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Criteria | Corporates | General:

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

(Editor's Note: In the previous version of this article published on May 26, certain of the rating outcomes in the table 1 matrix were missated. A corrected version follows.)

Standard & Poor's Ratings Services is refining its methodology for corporate ratings related to its business risk/financial risk matrix, which we published as part of 2008 Corporate Ratings Criteria on April 15, 2008, on RatingsDirect at www.ratingsdirect.com and Standard & Poor's Web site at www.standardandpoors.com.

This article amends and supersedes the criteria as published in Corporate Ratings Criteria, page 21, and the articles listed in the "Related Articles" section at the end of this report.

This article is part of a broad series of measures announced last year to enhance our governance, analytics, dissemination of information, and investor education initiatives. These initiatives are aimed at augmenting our independence, strengthening the rating process, and increasing our transparency to better serve the global markets.

We introduced the business risk/financial risk matrix four years ago. The relationships depicted in the matrix represent an essential element of our corporate analytical methodology.

We are now expanding the matrix, by adding one category to both business and financial risks (see table 1). As a result, the matrix allows for greater differentiation regarding companies rated lower than investment grade (i.e., 'BB' and below).

Table 1

Business And Financial Risk Profile Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	CCC+

These rating outcomes are shown for guidance purposes only. Actual rating should be within one notch of indicated rating outcomes.

The rating outcomes refer to issuer credit ratings. The ratings indicated in each cell of the matrix are the midpoints of a range of likely rating possibilities. This range would ordinarily span one notch above and below the indicated rating.

Business Risk/Financial Risk Framework

Our corporate analytical methodology organizes the analytical process according to a common framework, and it divides the task into several categories so that all salient issues are considered. The first categories involve fundamental business analysis; the financial analysis categories follow.

Our ratings analysis starts with the assessment of the business and competitive profile of the company. Two companies with identical financial metrics can be rated very differently, to the extent that their business challenges and prospects differ. The categories underlying our business and financial risk assessments are:

Business risk

- Country risk
- Industry risk
- Competitive position
- Profitability/Peer group comparisons

Financial risk

- Accounting
- Financial governance and policies/risk tolerance
- Cash flow adequacy
- Capital structure/asset protection
- Liquidity/short-term factors

We do not have any predetermined weights for these categories. The significance of specific factors varies from situation to situation.

Updated Matrix

We developed the matrix to make explicit the rating outcomes that are typical for various business risk/financial risk combinations. It illustrates the relationship of business and financial risk profiles to the issuer credit rating.

We tend to weight business risk slightly more than financial risk when differentiating among investment-grade ratings. Conversely, we place slightly more weight on financial risk for speculative-grade issuers (see table 1, again). There also is a subtle compounding effect when both business risk and financial risk are aligned at extremes (i.e., excellent/minimal and vulnerable/highly leveraged.)

The new, more granular version of the matrix represents a refinement--not any change in rating criteria or standards--and, consequently, holds no implications for any changes to existing ratings. However, the expanded matrix should enhance the transparency of the analytical process.

Financial Benchmarks

Table 2

Financial Risk Indicative Ratios (Corporates)

	FFO/Debt (%)	Debt/EBITDA (x)	Debt/Capital (%)
Minimal	greater than 60	less than 1.5	less than 25
Modest	45-60	1.5-2	25-35
Intermediate	30-45	2-3	35-45
Significant	20-30	3-4	45-50
Aggressive	12-20	4-5	50-60
Highly Leveraged	less than 12	greater than 5	greater than 60

How To Use The Matrix--And Its Limitations

The rating matrix indicative outcomes are what we typically observe--but are not meant to be precise indications or guarantees of future rating opinions. Positive and negative nuances in our analysis may lead to a notch higher or lower than the outcomes indicated in the various cells of the matrix.

In certain situations there may be specific, overarching risks that are outside the standard framework, e.g., a liquidity crisis, major litigation, or large acquisition. This often is the case regarding credits at the lowest end of the credit spectrum--i.e., the 'CCC' category and lower. These ratings, by definition, reflect some impending crisis or acute vulnerability, and the balanced approach that underlies the matrix framework just does not lend itself to such situations.

Similarly, some matrix cells are blank because the underlying combinations are highly unusual--and presumably would involve complicated factors and analysis.

The following hypothetical example illustrates how the tables can be used to better understand our rating process (see tables 1 and 2).

We believe that Company ABC has a satisfactory business risk profile, typical of a low investment-grade industrial issuer. If we believed its financial risk were intermediate, the expected rating outcome should be within one notch of 'BBB'. ABC's ratios of cash flow to debt (35%) and debt leverage (total debt to EBITDA of 2.5x) are indeed characteristic of intermediate financial risk.

It might be possible for Company ABC to be upgraded to the 'A' category by, for example, reducing its debt burden to the point that financial risk is viewed as minimal. Funds from operations (FFO) to debt of more than 60% and debt to EBITDA of only 1.5x would, in most cases, indicate minimal.

Conversely, ABC may choose to become more financially aggressive--perhaps it decides to reward shareholders by borrowing to repurchase its stock. It is possible that the company may fall into the 'BB' category if we view its financial risk as significant. FFO to debt of 20% and debt to EBITDA 4x would, in our view, typify the significant financial risk category.

Still, it is essential to realize that the financial benchmarks are guidelines, neither gospel nor guarantees. They can vary in nonstandard cases: For example, if a company's financial measures exhibit very little volatility, benchmarks may be somewhat more relaxed.

Moreover, our assessment of financial risk is not as simplistic as looking at a few ratios. It encompasses:

- a view of accounting and disclosure practices;
- a view of corporate governance, financial policies, and risk tolerance;
- the degree of capital intensity, flexibility regarding capital expenditures and other cash needs, including acquisitions and shareholder distributions; and
- various aspects of liquidity--including the risk of refinancing near-term maturities.

The matrix addresses a company's standalone credit profile, and does not take account of external influences, which would pertain in the case of government-related entities or subsidiaries that in our view may benefit or suffer from affiliation with a stronger or weaker group. The matrix refers only to local-currency ratings, rather than foreign-currency ratings, which incorporate additional transfer and convertibility risks. Finally, the matrix does not apply to project finance or corporate securitizations.

Related Articles

Industrials' Business Risk/Financial Risk Matrix--A Fundamental Perspective On Corporate Ratings, published April 7, 2005, on RatingsDirect.

Proxy Group of Nine Water Companies
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2007 - 2011, Inclusive

	2011	2010	2009	2008	2007	5 YEAR AVERAGE
	(MILLIONS OF DOLLARS)					
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$1,736.912	$1,712.951	$1,641.561	$1,537.371	$1,561.064	
SHORT-TERM DEBT	$81.076	$53.463	$31.243	$84.104	$37.360	
TOTAL CAPITAL EMPLOYED	$1,817.988	$1,766.414	$1,672.804	$1,621.475	$1,598.424	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.36 %	5.37 %	5.31 %	5.58 %	6.08 %	
PREFERRED STOCK	5.53	5.54	5.54	5.75	4.36	
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	50.69 %	50.97 %	50.80 %	50.35 %	49.46 %	50.46 %
PREFERRED STOCK	0.18	0.19	0.21	0.22	0.31	0.22
COMMON EQUITY	49.13	48.84	48.99	49.43	50.23	49.32
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	52.55 %	53.49 %	53.33 %	53.43 %	50.59 %	52.68 %
PREFERRED STOCK	0.17	0.18	0.19	0.21	0.31	0.21
COMMON EQUITY	47.28	46.33	46.48	46.36	49.10	47.11
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	5.31 %	5.59 %	3.90 %	2.40 %	4.60 %	4.36 %
MARKET / AVERAGE BOOK RATIO	169.91	164.15	152.04	171.34	202.33	171.95
DIVIDEND YIELD	3.59	3.78	4.20	4.01	3.45	3.81
DIVIDEND PAYOUT RATIO	67.87	66.67	60.06	64.23	71.87	66.14
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	8.99 %	8.98 %	6.99 %	6.39 %	7.09 %	7.69 %
TOTAL DEBT / EBITDA (3)	4.34 X	4.75 X	5.53 X	9.07 X	5.59 X	5.86 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	18.82 %	17.10 %	16.41 %	16.14 %	15.04 %	16.70 %
TOTAL DEBT / TOTAL CAPITAL	52.55 %	53.49 %	53.33 %	53.43 %	50.59 %	52.68 %

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.

(2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.

(3) Total debt relative to EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).

(4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: I-Metrix Database
Company SEC Form 10-K

Tega Cay Water Services, Inc.
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
the Proxy Group of Nine Water Companies

	1	2	3	4	5	6	7	8
Proxy Group of Nine Water Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	2.55 %	5.50 %	7.60 %	6.00 %	4.00 %	5.78 %	2.62 %	8.40 %
American Water Works Co., Inc.	2.70	8.00	10.00	8.30	7.60	8.48	2.81	11.29
Aqua America, Inc.	2.64	7.00	7.90	6.60	6.90	7.10	2.73	9.83
Artesian Resources Corp.	3.49	NA	6.00	NA	4.00	5.00	3.58	8.58
California Water Service Group	3.40	6.00	5.00	5.00	5.00	5.25	3.49	8.74
Connecticut Water Service, Inc.	3.05	NA	8.00	NA	6.10	7.05	3.16	10.21
Middlesex Water Company	3.88	7.00	(5.00)	NA	2.70	4.85	3.97	8.82
SJW Corporation	2.93	6.50	NA	NA	14.00	10.25	3.08	13.33
York Water Company	3.00	NA	6.00	NA	4.90	5.45	3.08	8.53
Average								9.75 %
Median								8.82 %

NA= Not Available
NMF = Not Meaningful Figure

Notes:
(1) Indicated dividend at 10/31/2012 divided by the average closing price of the last 60 trading days ending 10/31/2012 for each company.
(2) From pages 2 through 10 of this Schedule.
(3) Average of columns 2 through 5 excluding negative growth rates.
(4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co. , 2.55% x (1+(1/2 x 5.78%)) = 2.62%.
(5) Column 6 + column 7.

Source of Information:
Value Line Investment Survey
www.reuters.com Downloaded on 11/01/2012
www.zacks.com Downloaded on 11/01/2012
www.yahoo.com Downloaded on 11/01/2012

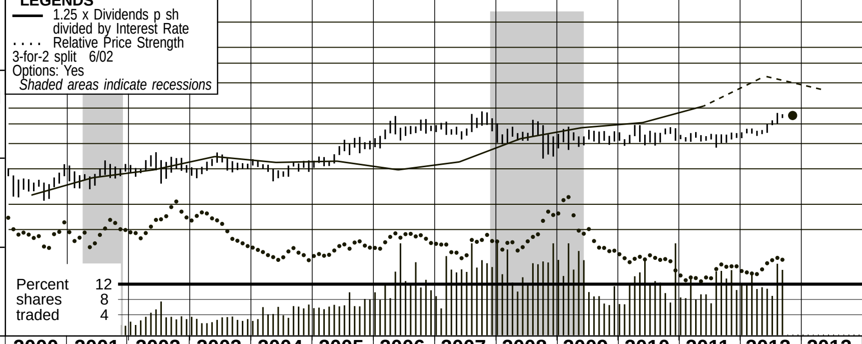
AMER. STATES WATER NYSE-AWR

RECENT PRICE	44.03	P/E RATIO	18.2 (Trailing: 17.5 / Median: 22.0)	RELATIVE P/E RATIO	1.20	DIV'D YLD	3.2%	VALUE LINE

TIMELINESS 3 Lowered 9/28/12
SAFETY 2 Raised 7/20/12
TECHNICAL 3 Raised 10/12/12
BETA .70 (1.00 = Market)

High:	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4	45.4
Low:	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	30.5	34.1

LEGENDS
—— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: Yes
Shaded areas indicate recessions



Target Price Range
2015 | 2016 | 2017

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+35%)	11%
Low	45	(Nil)	4%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	5	2	0	2	2	0	4	2	0
to Sell	5	2	0	2	2	0	4	2	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	86	69	83
to Sell	40	63	50
Hld's(000)	11493	11810	11968

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	35.1	28.2
3 yr.	34.7	42.3
5 yr.	32.1	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	22.24	**23.40**	**23.45**	Revenues per sh	**27.80**
1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	4.26	**4.60**	**5.00**	"Cash Flow" per sh	**5.50**
1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	2.23	**2.45**	**2.50**	Earnings per sh A	**2.80**
.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	1.10	**1.27**	**1.44**	Div'd Decl'd per sh B■	**1.60**
2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	4.26	**4.20**	**4.40**	Cap'l Spending per sh	**5.10**
11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	21.68	**22.80**	**23.15**	Book Value per sh	**23.80**
13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	18.85	**19.00**	**19.20**	Common Shs Outst'g C	**19.60**
12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.7	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	**19.0**
.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.00	1.01			Relative P/E Ratio	**1.25**
5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.0%			Avg Ann'l Div'd Yield	**2.6%**

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	419.3	**445**	**460**	Revenues ($mill)	**545**
20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	42.0	**45.0**	**48.0**	Net Profit ($mill)	**55.0**
38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	41.7%	**42.5%**	**42.0%**	Income Tax Rate	**40.0%**
- -	- -	- -	- -	12.2%	8.5%	6.9%	3.2%	5.8%	5.8%	**5.0%**	**5.0%**	AFUDC % to Net Profit	**5.0%**
52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	45.4%	**43.0%**	**43.0%**	Long-Term Debt Ratio	**42.0%**
48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	54.6%	**57.0%**	**57.0%**	Common Equity Ratio	**58.0%**
444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	749.1	**760**	**780**	Total Capital ($mill)	**805**
563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	896.5	**935**	**980**	Net Plant ($mill)	**1080**
6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	6.0%	**6.0%**	**6.0%**	Return on Total Cap'l	**7.0%**
9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	**10.5%**	**11.0%**	Return on Shr. Equity	**12.0%**
9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	10.3%	**10.5%**	**11.0%**	Return on Com Equity	**12.0%**
3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	5.2%	**5.0%**	**5.0%**	Retained to Com Eq	**5.0%**
65%	113%	84%	67%	67%	58%	64%	61%	47%	49%	**56%**	**58%**	All Div'ds to Net Prof	**57%**

CAPITAL STRUCTURE as of 6/30/12
Total Debt $341.7 mill. **Due in 5 Yrs** $280.0 mill.
LT Debt $341.5 mill. **LT Interest** $24.0 mill.
(LT interest earned: 5.5x: total interest coverage: 5.2x) (44% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/11 $92.9 mill. **Oblig.** $146.1 mill.

Pfd Stock None.

Common Stock 18,923,668 shs. as of 8/3/12
MARKET CAP: $825 million (Small Cap)

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	4.2	1.3	25.9
Other	200.8	164.3	150.0
Current Assets	205.0	165.6	175.9
Accts Payable	36.2	37.9	39.1
Debt Due	61.3	.3	.2
Other	81.3	66.2	60.3
Current Liab.	178.8	104.4	99.6
Fix. Chg. Cov.	428%	401%	390%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	5.0%	7.5%	4.5%
"Cash Flow"	5.5%	9.5%	4.5%
Earnings	4.5%	11.5%	5.5%
Dividends	2.0%	2.5%	7.5%
Book Value	5.0%	5.0%	4.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	109.8	119.9	95.3	419.3
2012	106.6	114.3	**124**	**100.1**	**445**
2013	**105**	**116**	**131**	**108**	**460**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.68	2.22
2011	.37	.68	.83	.36	2.24
2012	.53	.79	**.80**	**.33**	**2.45**
2013	**.50**	**.75**	**.85**	**.40**	**2.50**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280	.280	.280	1.10
2012	.280	.280	.355		

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/12 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water's bottom-line momentum will likely carry into the back half of the year. Indeed, share earnings in the first half of 2012 increased 17%, driven by the Golden State Water unit and an increase in Contracted Services activity. Construction activity and favorable changes in cost estimates at the Fort Bragg military base also contributed to the improved results. Going forward, we expect the company to remain focused on expanding the Contracted Services business, as it provides more favorable growth prospects compared to its Water and Electric businesses. In fact, we believe AWR's 50-year contract with Fort Bragg through its American States Utility Services subsidiary could provide a nice opportunity. We expect this longer-term relationship with the U.S. government to bolster the company's chances in booking more water and electric projects on other military bases.

Recent rate cases will provide some clarity for the coming years. In June, the Golden State Water case (which deals with general rates in 2013-2015) reached a proposed settlement between Golden State Water Company and two consumer advocacy groups. The agreement pends the approval of California Public Utilities Commission (CPUC) and nearly resolves all issues in the case. The decision would generate close to $9 million in additional annual revenue starting in 2013, compared to 2012 adopted revenues. Proposed rates are set to increase $8.0 million and $6.0 million in 2014 and 2015, respectively.

The ASUS operations have helped boost the quarterly dividend. The dividend has been increased to $0.36 from $0.28 due to ASUS' board of directors approval to help fund a portion of AWR's upcoming dividend. We anticipate that the subsidiary will continue to partially fund the company's dividend.

The Timeliness rank of this issue is 3 (Average). Income investors might find the stock of interest, as the dividend yield offers above-average return when compared to the *Value Line* median. However, we advise longer-term investors to look elsewhere, due to the below-average capital appreciation potential.

Michael Collins *October 19, 2012*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (45¢) '11, 20¢. Next earnings report due early November. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	65
Earnings Predictability	90

AMERICAN WATER NYSE-AWK

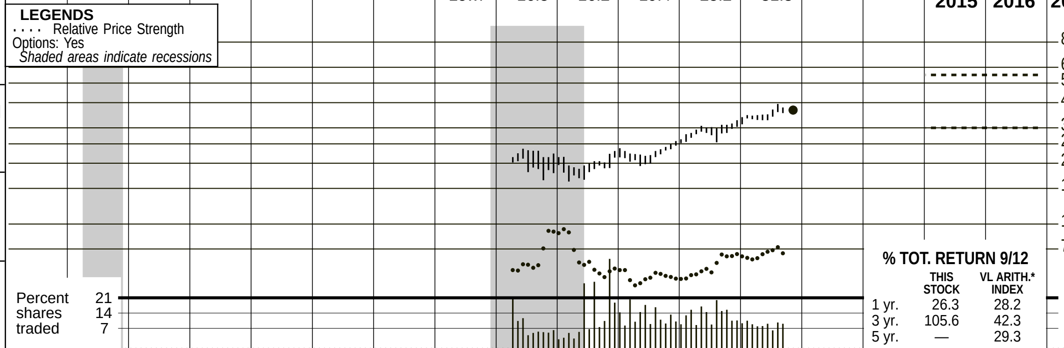
RECENT PRICE	36.75	P/E RATIO	16.7 (Trailing: 18.8; Median: NMF)	RELATIVE P/E RATIO	1.10	DIV'D YLD	2.7%	VALUE LINE

TIMELINESS **2** Lowered 10/19/12
SAFETY **3** New 7/25/08
TECHNICAL **3** Raised 10/12/12
BETA .65 (1.00 = Market)

	2008	2009	2010	2011	2012
High:	23.7	23.0	25.8	32.8	39.4
Low:	16.5	16.2	19.4	25.2	31.3

LEGENDS
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+50%)	13%
Low	30	(-20%)	-1%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	0	7	0	2	1	0
to Sell	2	0	0	0	7	0	2	0	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	181	164	176
to Sell	136	163	162
Hld's(000)	138169	141669	140028

Percent shares traded 21 14 7

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	26.3	28.2
3 yr.	105.6	42.3
5 yr.	—	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	13.08	13.84	14.61	13.98	15.49	15.18	16.40	16.55	Revenues per sh	18.15
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.65	d.47	2.87	2.89	3.56	3.74	4.25	4.30	"Cash Flow" per sh	4.70
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	d.97	d2.14	1.10	1.25	1.53	1.72	2.15	2.20	Earnings per sh A	2.40
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.40	.82	.86	.91	.98	1.04	Div'd Decl'd per sh B■	1.25
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	4.31	4.74	6.31	4.50	4.38	5.27	5.35	5.30	Cap'l Spending per sh	5.00
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	23.86	28.39	25.64	22.91	23.59	24.14	25.40	25.70	Book Value per sh D	26.70
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	160.00	160.00	160.00	174.63	175.00	175.66	177.00	180.00	Common Shs Outst'g C	190.00
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	18.9	15.6	14.6	16.7	Bold figures are		Avg Ann'l P/E Ratio	19.0
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1.14	1.04	.93	1.05	Value Line		Relative P/E Ratio	1.25
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1.9%	4.2%	3.8%	3.1%	estimates		Avg Ann'l Div'd Yield	2.8%

CAPITAL STRUCTURE as of 6/30/12

Total Debt $5685.4 mill. **Due in 5 Yrs** $407.6 mill.
LT Debt $5203.1 mill. **LT Interest** $292.0 mill.
(Total interest coverage: 3.5x) (54% of Cap'l)

Leases, Uncapitalized: Annual rentals $21.5 mill.
Pension Assets-12/11 $981.1 mill
Oblig. $1402.0 mill.
Pfd Stock $19.3 mill. **Pfd Div'd** $.7 mill

Common Stock 176,430,023 shs.
as of 7/26/12

MARKET CAP: $6.5 billion (Large Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
- -	- -	- -	- -	2093.1	2214.2	2336.9	2440.7	2710.7	2666.2	2905	2975	Revenues ($mill)	3450
- -	- -	- -	- -	d155.8	d342.3	187.2	209.9	267.8	304.9	380	395	Net Profit ($mill)	450
- -	- -	- -	- -	- -	- -	37.4%	37.9%	40.4%	39.5%	41.0%	40.0%	Income Tax Rate	39.0%
- -	- -	- -	- -	- -	- -	- -	- -	12.5%	10.0%	10.0%	10.0%	AFUDC % to Net Profit	15.0%
- -	- -	- -	- -	56.1%	50.9%	53.1%	56.9%	56.8%	55.6%	54.0%	53.0%	Long-Term Debt Ratio	54.5%
- -	- -	- -	- -	43.9%	49.1%	46.9%	43.1%	43.2%	44.2%	46.0%	47.0%	Common Equity Ratio	45.5%
- -	- -	- -	- -	8692.8	9245.7	8750.2	9289.0	9561.3	9601.5	9750	9825	Total Capital ($mill)	11150
- -	- -	- -	- -	8720.6	9318.0	9991.8	10524	11059	11021	11600	12175	Net Plant ($mill)	13750
- -	- -	- -	- -	NMF	NMF	3.7%	3.8%	4.4%	4.7%	5.5%	5.5%	Return on Total Cap'l	6.0%
- -	- -	- -	- -	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.5%	8.5%	Return on Shr. Equity	9.0%
- -	- -	- -	- -	NMF	NMF	4.6%	5.2%	6.5%	7.2%	8.5%	8.5%	Return on Com Equity	9.0%
- -	- -	- -	- -	NMF	NMF	3.0%	1.8%	2.8%	3.5%	4.5%	4.5%	Retained to Com Eq	4.0%
- -	- -	- -	- -	- -	- -	34%	65%	56%	52%	46%	47%	All Div'ds to Net Prof	53%

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	13.1	14.2	12.9
Other	521.2	1383.5	593.5
Current Assets	534.3	1397.7	606.4
Accts Payable	199.2	243.7	183.9
Debt Due	44.8	543.9	482.3
Other	530.5	701.5	357.8
Current Liab.	774.5	1489.1	1018.0
Fix. Chg. Cov.	237%	256%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	- -	- -	3.5%
"Cash Flow"	- -	- -	5.5%
Earnings	- -	- -	8.0%
Dividends	- -	- -	6.5%
Book Value	- -	- -	2.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	550.2	612.7	680.0	597.8	2440.7
2010	588.1	671.2	786.9	664.5	2710.7
2011	596.7	668.8	760.9	639.8	2666.2
2012	618.6	745.6	825.8	715	2905
2013	640	740	860	735	2975

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.19	.32	.52	.21	1.25
2010	.18	.42	.71	.23	1.53
2011	.23	.42	.73	.34	1.72
2012	.28	.66	.81	.40	2.15
2013	.33	.65	.80	.42	2.20

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	- -	- -	.20	.20	.40
2009	.20	.20	.21	.21	.82
2010	.21	.21	.22	.22	.86
2011	.22	.23	.23	.23	.91
2012	.23	.23	.25		

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 15 million people in over 30 states and Canada. Its nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up 88.9% of 2011 revenues. New Jersey is its biggest market accounting for 20.9% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.5% in '11. BlackRock, Inc., owns 7.4% of the common stock outstanding. Off. & dir. own less than 1% (3/12 Proxy). President & CEO; Jeffry Sterba. Chairman; George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.

American Water Works posted record earnings in the second quarter. The nation's largest publicly traded water utility recorded profits of $0.66 a share, 57% better than the year before. Revenue growth of 12% trounced expectations, thanks to favorable weather and strong pumpage, while costs remained relatively steady. The earlier portfolio optimization helped, removing less profitable businesses from the mix, but maybe more impressive was that management was able to keep maintenance costs under control.

We have raised our full-year share-net estimate by $0.20, but only tweaked our second-half call slightly upward. Our overall decision was largely a result of the aforementioned success. Although we believe that the top line will continue to benefit from favorable regulatory rulings, it is hard to imagine the cost base not rising going forward. Indeed, the company is slated to make a number of infrastructure upgrades as a result of aging systems. Thus, we look for costs to begin to mount, thereby cutting into margins, despite efforts to keep expenses in check.

This stock ought to interest momentum accounts. AWK is ranked 2 (Above Average) for Timeliness based on the recent earnings strength. Growth is likely to remain solid over the next six to 12 months, too, benefiting from a supportive regulatory body and more-streamlined operations. The company will probably not have to seek much outside financing in the near term, either, as the proceeds from divestitures ease capital burdens a bit.

That said, we are a bit more skeptical about growth prospects further out. Specifically, we worry about the American's financial situation and the capital-intensive nature of this business. The company is slated to spend over $900 million on its infrastructure this year, and we do not envision that figure trending much lower in the years ahead. This endeavor will easily eat up any cash reserves and cash flow being generated by operations. Management will have to float more debt and stock in order to meet these obligations, but such actions will temper investor gains. The dividend is better than that of the average issue covered in our *Survey*, but not of the average utility provider.

Andre J. Costanza *October 19, 2012*

(A) Diluted earnings. Excludes nonrecurring losses: '08, $4.62; '09, $2.63; '11, $0.07. Discontinued operations: '06, (4¢); '11, 3¢; '12, (10¢).
Next earnings report due early Nov. Quarterly earnings may not sum due to rounding.
(B) Dividends paid in March, June, September, and December. ■ Div. reinvestment available.
(C) In millions.
(D) Includes intangibles. In 2011: $1.195 billion, $9.80/share.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	15

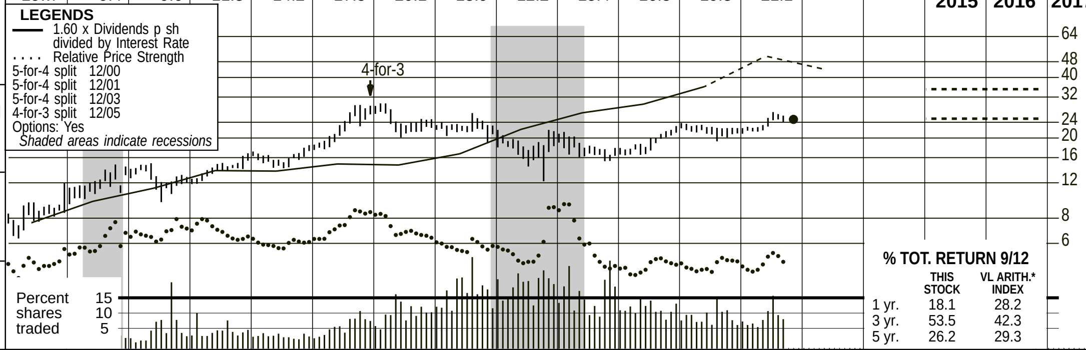
AQUA AMERICA NYSE-WTR

RECENT PRICE	24.79	P/E RATIO	23.2 (Trailing: 23.6; Median: 25.0)	RELATIVE P/E RATIO	1.53	DIV'D YLD	2.7%	VALUE LINE

TIMELINESS 2 Raised 10/5/12
SAFETY 2 Raised 4/20/12
TECHNICAL 3 Lowered 9/14/12
BETA .60 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High:	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8	26.9
Low:	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	19.3	21.1

LEGENDS
— 1.60 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
5-for-4 split 12/00
5-for-4 split 12/01
5-for-4 split 12/03
4-for-3 split 12/05
Options: Yes
Shaded areas indicate recessions



Target Price Range
2015 | 2016 | 2017

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+40%)	*11%*
Low	25	(Nil)	*3%*

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	0	0	1	2	0	1
to Sell	0	0	0	0	0	0	3	1	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	119	114	112
to Sell	92	104	108
Hld's(000)	55535	57767	60392

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	18.1	28.2
3 yr.	53.5	42.3
5 yr.	26.2	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.13	***5.55***	***5.80***	Revenues per sh	***6.60***
.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.84	***1.90***	***2.05***	"Cash Flow" per sh	***2.30***
.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	1.03	***1.05***	***1.15***	Earnings per sh A	***1.35***
.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.62	***.66***	***.71***	Div'd Decl'd per sh B■	***.80***
.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.38	***2.40***	***2.50***	Cap'l Spending per sh	***2.55***
2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	9.01	***9.25***	***9.75***	Book Value per sh	***10.85***
65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.87	***140.90***	***141.90***	Common Shs Outst'g C	***143.90***
15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	21.1	***Bold figures are***		Avg Ann'l P/E Ratio	***21.0***
.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.34	1.36	***Value Line***		Relative P/E Ratio	***1.40***
4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	3.1%	***estimates***		Avg Ann'l Div'd Yield	***2.7%***

CAPITAL STRUCTURE as of 6/30/12
Total Debt $1613.8 mill. **Due in 5 Yrs** $300 mill.
LT Debt $1569.5 mill. **LT Interest** $65.0 mill.
(LT interest earned: 4.5x; total interest coverage: 4.5x) (53% of Cap'l)

Pension Assets-12/11 $148.9 mill. **Oblig.** $237.1 mill.

Pfd Stock None
Common Stock 139,733,913 shares **as of 7/20/12**
MARKET CAP: $3.5 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	712.0	***780***	***825***	Revenues ($mill)	***950***
62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	143.1	***145***	***160***	Net Profit ($mill)	***195***
38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	32.9%	***40.0%***	***40.0%***	Income Tax Rate	***40.0%***
- -	- -	- -	- -	- -	- -	- -	- -	2.9%	3.1%	***3.0%***	***3.0%***	AFUDC % to Net Profit	***2.0%***
54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	53.0%	***52.0%***	***50.0%***	Long-Term Debt Ratio	***46.0%***
45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	47.0%	***48.0%***	***50.0%***	Common Equity Ratio	***54.0%***
1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2647.3	***2715***	***2760***	Total Capital ($mill)	***2885***
1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3612.9	***3785***	***3960***	Net Plant ($mill)	***4320***
7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.8%	***5.5%***	***6.0%***	Return on Total Cap'l	***4.5%***
12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.4%	***11.0%***	***11.5%***	Return on Shr. Equity	***12.5%***
12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.4%	***11.0%***	***11.5%***	Return on Com Equity	***12.5%***
5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	4.6%	***4.0%***	***4.5%***	Retained to Com Eq	***5.0%***
59%	59%	57%	56%	63%	67%	70%	72%	65%	60%	***65%***	***63%***	All Div'ds to Net Prof	***59%***

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	5.9	8.2	5.1
Receivables	85.9	81.1	99.0
Inventory (AvgCst)	9.2	11.2	11.7
Other	44.4	220.0	31.4
Current Assets	145.4	320.5	147.2
Accts Payable	45.3	68.3	42.0
Debt Due	28.5	80.4	44.3
Other	149.9	277.0	126.0
Current Liab.	223.7	425.7	212.3
Fix. Chg. Cov.	290%	367%	328%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	8.0%	7.5%	*4.5%*
"Cash Flow"	8.5%	8.0%	*5.0%*
Earnings	6.5%	4.5%	*7.0%*
Dividends	7.5%	8.0%	*5.0%*
Book Value	9.0%	7.0%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	154.5	167.3	180.8	167.9	670.5
2010	160.5	178.5	207.8	179.3	726.1
2011	163.6	178.3	197.3	172.7	712.0
2012	170.2	198.2	***210***	***201.6***	***780***
2013	***180***	***210***	***215***	***220***	***825***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.14	.19	.25	.19	.77
2010	.16	.22	.32	.20	.90
2011	.22	.27	.30	.25	1.03
2012	.20	.30	***.35***	***.20***	***1.05***
2013	***.22***	***.29***	***.39***	***.25***	***1.15***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155	.155	.155	.165	.63
2012	.165	.165	.165		

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '11: residential, 59.5%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 1.5% of the common stock (4/12 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America will likely grow at a mediocre pace in the back half of the year. Indeed, management expects share earnings to come in at $0.30 in the third quarter. This share-net figure would represent a flat year-over-year performance. That said, we are looking for the company to top expectations, due to the historically hot weather in August and September. Going forward, the non-regulated segment should continue to represent a larger portion of total income. On the cost side, the company has improved its operation and maintenance expense-to-revenue ratio on a year-over-year basis. This ratio will likely marginally improve, as the company consolidates its markets.

The Marcellus shale water pipeline venture should bolster longer-term profitability. We anticipate natural gas drilling in the U.S. to grow at a nice clip, as LNG export facilities are expected to come on line in the coming years. Aqua America and Penn Virginia's joint venture for a pipeline in Pennsylvania is progressing nicely. Construction on phase II of the pipeline is expected to be completed by the end of the year, at a cost of $20 million. The project will likely be completed by the end of 2014, and is expected to add $0.10 a share to 2014 and 2015 bottom-line results. However, further declines in natural gas prices would likely hurt drilling prospects and could throw a wrench in the company's underlying projections.

The company should realize operational efficiencies from its portfolio restructuring. Aqua America has offered to sell its Florida operations to the Florida Governmental Utility Authority for $95 million. This move would narrow its list of states served to eight, with the majority of its revenue generated from the Ohio, Pennsylvania, and New Jersey markets. We think the company's entrance into the Texas market should pay dividends, as favorable demographic trends and a burgeoning oil & gas industry stand to persist.

The stock is set to outperform the broader market averages in the near term. However, for longer-term investors the issue offers minimal capital appreciation potential and a below-average dividend yield compared to its peers.

Michael Collins *October 19, 2012*

(A) Diluted egs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due late October.

(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	100

ARTESIAN RES. CORP. NDQ--ARTNA

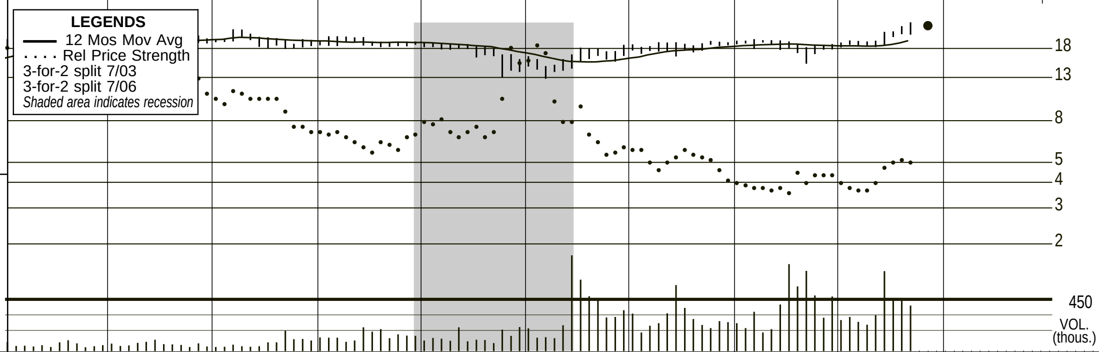
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
23.28	21.8	1.33	3.4%	

	2004	2005	2006	2007	2008	2009	2010	2011	2012	
High	20.04	22.62	22.33	20.67	19.31	18.73	19.59	19.99	24.43	High
Low	15.18	17.20	17.90	18.26	13.00	12.81	16.43	15.16	18.20	Low

RANKS

PERFORMANCE 3 Average
Technical 3 Average
SAFETY 2 Above Average
BETA .55 (1.00 = Market)

Financial Strength B+
Price Stability 100
Price Growth Persistence 60
Earnings Predictability 90



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013/2014
SALES PER SH	6.67	7.52	7.77	7.20	7.59	8.11	8.48	7.56	--	
"CASH FLOW" PER SH	1.42	1.56	1.75	1.57	1.65	1.84	1.92	1.64	--	
EARNINGS PER SH	.72	.81	.97	.90	.86	.97	1.00	.83	***1.16*** [A,B]	***1.19*** [C]***/NA***
DIV'DS DECL'D PER SH	.55	.58	.61	.66	.71	.72	.75	.76	--	
CAP'L SPENDING PER SH	4.82	3.35	5.08	3.66	6.09	2.32	2.57	1.83	--	
BOOK VALUE PER SH	9.26	9.60	10.15	11.66	11.86	12.15	12.44	13.12	--	
COMMON SHS OUTST'G (MILL)	5.93	6.02	6.09	7.30	7.40	7.51	7.65	8.61	--	
AVG ANN'L P/E RATIO	25.4	24.2	20.3	21.5	20.1	16.4	18.2	22.5	***20.1***	***19.6/NA***
RELATIVE P/E RATIO	1.34	1.28	1.10	1.14	1.21	1.09	1.16	1.41	--	
AVG ANN'L DIV'D YIELD	3.0%	2.9%	3.1%	3.4%	4.1%	4.5%	4.1%	4.1%	--	
SALES ($MILL)	39.6	45.3	47.3	52.5	56.2	60.9	64.9	65.1	--	***Bold figures***
OPERATING MARGIN	--	100.0%	45.6%	45.6%	45.1%	46.9%	46.5%	45.5%	--	***are consensus***
DEPRECIATION ($MILL)	4.0	4.4	4.6	5.2	5.8	6.6	7.0	7.4	--	***earnings***
NET PROFIT ($MILL)	4.4	5.0	6.1	6.3	6.4	7.3	7.6	6.7	--	***estimates***
INCOME TAX RATE	39.6%	39.9%	39.0%	39.8%	40.8%	40.1%	40.0%	40.8%	--	***and, using the***
NET PROFIT MARGIN	11.1%	11.1%	12.8%	11.9%	11.4%	11.9%	11.7%	10.4%	--	***recent prices,***
WORKING CAP'L ($MILL)	d8.7	d1.8	d8.8	2.5	d20.9	d23.3	d27.9	d11.4	--	***P/E ratios.***
LONG-TERM DEBT ($MILL)	82.4	92.4	92.1	91.8	107.6	106.0	105.1	106.5	--	
SHR. EQUITY ($MILL)	54.9	57.8	61.8	85.1	87.8	91.2	95.1	113.0	--	
RETURN ON TOTAL CAP'L	5.1%	5.3%	5.8%	5.3%	4.7%	5.2%	5.6%	4.6%	--	
RETURN ON SHR. EQUITY	8.0%	8.7%	9.8%	7.4%	7.3%	8.0%	8.0%	6.0%	--	
RETAINED TO COM EQ	2.1%	2.7%	3.8%	2.1%	1.4%	2.1%	2.0%	.5%	--	
ALL DIV'DS TO NET PROF	74%	69%	61%	71%	81%	74%	75%	92%	--	

[A]No. of analysts changing earn. est. in last 5 days: 0 up, 0 down, consensus 5-year earnings growth not available. [B]Based upon 4 analysts' estimates. [C]Based upon 4 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	2.0%	-11.0%
"Cash Flow"	2.5%	-14.0%
Earnings	2.5%	-17.0%
Dividends	5.0%	1.5%
Book Value	5.5%	5.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/10	15.0	16.0	18.0	15.9	64.9
12/31/11	14.8	16.5	17.7	16.1	65.1
12/31/12	16.7	17.9			
12/31/13					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/09	.22	.27	.28	.20	.97
12/31/10	.22	.24	.38	.16	1.00
12/31/11	.14	.23	.26	.20	.83
12/31/12	.29	.32	***.35***	***.21***	
12/31/13	***.26***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2009	.178	.178	.178	.187	.72
2010	.187	.188	.188	.189	.75
2011	.19	.19	.19	.193	.76
2012	.193	.198	.198	.203	

INSTITUTIONAL DECISIONS

	4Q'11	1Q'12	2Q'12
to Buy	39	24	38
to Sell	16	20	21
Hld's(000)	2691	2733	2943

ASSETS ($mill.)	2010	2011	6/30/12
Cash Assets	.2	.3	.4
Receivables	5.1	8.6	7.6
Inventory	1.2	1.5	1.4
Other	7.5	2.9	1.5
Current Assets	14.0	13.3	10.9
Property, Plant & Equip, at cost	414.6	435.0	- -
Accum Depreciation	69.2	77.4	- -
Net Property	345.4	357.6	363.2
Other	12.1	7.8	8.0
Total Assets	371.5	378.7	382.1
LIABILITIES ($mill.)			
Accts Payable	3.4	2.8	2.9
Debt Due	30.6	13.8	11.8
Other	7.9	8.1	8.3
Current Liab	41.9	24.7	23.0

LONG-TERM DEBT AND EQUITY as of 6/30/12

Total Debt $117.9 mill. **Due in 5 Yrs.** NA
LT Debt $106.0 mill.
Including Cap. Leases NA
(48% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $.5 mill. in '11 vs. $.5 mill. in '10

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 8,659,509 shares
(52% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Artesian Resources Corporation, through its subsidiaries, provides water, wastewater, and engineering services on the Delmarva Peninsula. It distributes and sells water to residential, commercial, industrial, municipal, and utility customers in Delaware, Maryland, and Pennsylvania. The company also offers water for public and private fire protection to customers in its service territories. In addition, it provides contract water and wastewater services, water and sewer service line protection plans, and wastewater management services, as well as design, construction, and engineering services. As of December 31, 2011, the company served approximately 78,600 metered water customers through 1,148 miles of transmission and distribution mains. Artesian Water Company, the principal subsidiary, is the oldest and largest investor-owned public water utility on the Delmarva Peninsula, and has been providing water service since 1905. Has 226 employees. Chairman, C.E.O. & President: Dian C. Taylor. Address: 664 Churchmans Rd., Newark, DE 19702. Tel.: (302) 453-6900. Internet: http://www.artesianwater.com.

J.V.

October 19, 2012

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2012

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
8.81%	26.06%	38.08%	56.14%	50.41%

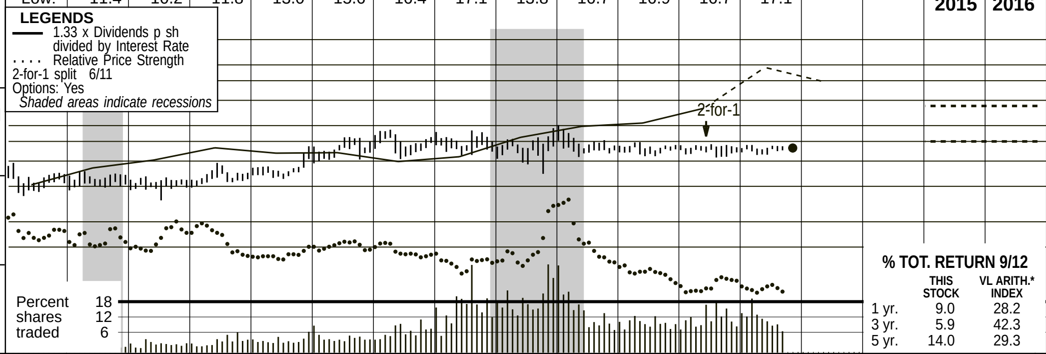
CALIFORNIA WATER NYSE-CWT

RECENT PRICE 18.57 | P/E RATIO 19.1 (Trailing: 21.1 Median: 21.0) | RELATIVE P/E RATIO 1.26 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 3 Raised 8/3/12
SAFETY 3 Lowered 7/27/07
TECHNICAL 2 Raised 10/19/12
BETA .65 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High:	14.3	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.4	19.3
Low:	11.4	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	16.7	17.1

Target Price Range 2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+60%)	15%
Low	20	(+10%)	5%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	19	0	2	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	1	0	0	0	1	0	0	0	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	52	60	54
to Sell	58	55	53
Hld's(000)	20424	22431	21505

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.0	28.2
3 yr.	5.9	42.3
5 yr.	14.0	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
7.24	7.74	7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	12.00	12.65	13.05	Revenues per sh	14.20
1.25	1.46	1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.07	2.35	2.45	"Cash Flow" per sh	2.65
.75	.92	.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	.86	.95	1.05	Earnings per sh A	1.30
.52	.53	.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.63	.65	Div'd Decl'd per sh B ■	.72
1.41	1.30	1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	2.83	2.90	2.85	Cap'l Spending per sh	3.05
6.11	6.50	6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.76	11.05	11.25	Book Value per sh C	12.75
25.24	25.24	25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	41.82	43.00	44.00	Common Shs Outst'g D	47.00
11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	21.3	Bold figures are	Value Line	Avg Ann'l P/E Ratio	19.0
.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.29	1.34	estimates		Relative P/E Ratio	1.25
5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.4%			Avg Ann'l Div'd Yield	2.9%

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	501.8	545	575	Revenues ($mill) E	675
19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	36.1	40.0	45.0	Net Profit ($mill)	62.0
39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	40.5%	41.0%	40.5%	Income Tax Rate	40.0%
--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	5.0%	5.0%	5.0%	AFUDC % to Net Profit	10.0%
55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	51.7%	51.0%	51.5%	Long-Term Debt Ratio	50.0%
44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	48.3%	49.0%	48.5%	Common Equity Ratio	50.0%
453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	931.5	970	1025	Total Capital ($mill)	1200
697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1381.1	1445	1505	Net Plant ($mill)	1725
5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	5.5%	5.5%	6.0%	Return on Total Cap'l	7.0%
9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	8.5%	9.0%	Return on Shr. Equity	10.5%
9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	8.0%	8.5%	9.0%	Return on Com Equity	10.5%
1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	2.3%	3.0%	3.5%	Retained to Com Eq	4.5%
90%	91%	77%	78%	86%	77%	61%	60%	66%	71%	67%	63%	All Div'ds to Net Prof	55%

CAPITAL STRUCTURE as of 6/30/12
Total Debt $574.5 mill. **Due in 5 Yrs** $85.7 mill.

LT Debt $480.0 mill. **LT Interest** $30.0 mill.
(LT interest earned: 3.8x; total int. cov.: 3.7x)
(49% of Cap'l)
Pension Assets-12/11 $155.7 mill.
Oblig. $346.3 mill.
Pfd Stock None

Common Stock 41,915,454 shs.

as of 7/30/12

MARKET CAP: $775 million (Small Cap)

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	42.3	27.2	20.8
Other	83.9	86.7	114.1
Current Assets	126.2	113.9	134.9
Accts Payable	39.5	48.9	54.6
Debt Due	26.1	53.7	94.5
Other	41.7	49.3	61.6
Current Liab.	107.3	151.9	210.7
Fix. Chg. Cov.	304%	278%	285%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.5%	6.0%	4.0%
"Cash Flow"	4.5%	6.5%	5.0%
Earnings	4.0%	5.0%	6.0%
Dividends	1.0%	1.0%	3.0%
Book Value	5.0%	5.0%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.)E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	105.5	460.4
2011	98.1	131.4	169.3	103.0	501.8
2012	116.7	143.6	175	109.7	545
2013	120	150	185	120	575

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.06	.29	.47	.16	.98
2010	.05	.25	.49	.12	.91
2011	.03	.29	.50	.04	.86
2012	.03	.31	.53	.08	.95
2013	.05	.32	.55	.13	1.05

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.147	.147	.147	.147	.59
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154	.154	.154	.62
2012	.1575	.1575	.1575	.1575	

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 471,900 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '11: residential, 73%; business, 18%; public authorities, 5%; industrial, 4%. '11 reported depreciation rate: 2.7%. Has roughly 1,132 employees. President, Chairman, and CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service Group continues to benefit from favorable regulatory backing. Indeed, the water utility bested second-quarter results, as earnings increased 7%, on a 9% revenue climb. Although operating expenses continued to mount, general rate case increases helped offset the margin pressures.

Higher operating costs are likely to surface in the second half of the year, however. Although recent improvements on the regulatory front will remain a boon, and the company is likely to receive additional relief in the years to come, we believe that expenses will tick higher. Maintenance costs dipped slightly lower in the June period, a trend that we find hard to believe will continue, given the age of many of the company's pipes and water systems. Note that last year's weak fourth-quarter results will make growth seem healthy at first blush, but deeper analysis reveals historical softness.

Infrastructure costs are likely to remain a problem further out, too. The need for water systems upgrades and/or complete renovation is expected to continue increasing as time goes on and units grow older. Unfortunately, the company does not have the finances to foot the bill. Cash on hand is minimal, and expected cash flow will be nowhere near sufficient enough to cover the costs, even with an improved regulatory backdrop. Absent an unforeseen event, CWT will have to seek outside financing in order to keep the doors open. Indeed, the added interest expense and increased share count associated with such maneuverings will undoubtedly diminish returns.

Most investors will want to take a pass on this issue. The capital-intensive nature of this industry erases much of the growth potential, whether it be over the coming six to 12 months or the next 3 to 5 ears, regardless of the top-line prospects brought forward by a more favorable regulatory board or additional traction with military bases. The dividend yield is solid, but there are better income-producing options to be had elsewhere. Also, though highly unlikely, the current yield could be compromised if industry fundamentals turn sour for a prolonged period or there is a bureaucratic change.

Andre J. Costanza *October 19, 2012*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due early Nov.
(B) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '11: $2.2 mill., $0.05/sh.
(D) In millions, adjusted for splits.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	55
Earnings Predictability	90

CONN. WATER SERVICES NDQ--CTWS

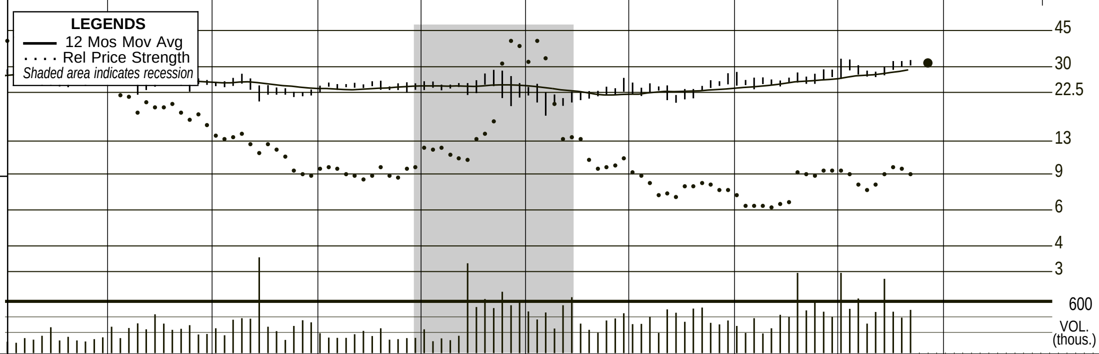
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
31.34	26.3	1.61	3.1%	VALUE LINE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	
High	29.76	28.17	27.71	25.61	28.95	26.44	27.90	29.10	32.84	
Low	23.83	21.91	20.29	22.40	19.26	17.31	20.00	23.27	26.15	

RANKS

PERFORMANCE	2	Above Average
Technical	3	Average
SAFETY	3	Average
BETA .75		(1.00 = Market)

Financial Strength	B+
Price Stability	90
Price Growth Persistence	30
Earnings Predictability	85



© VALUE LINE PUBLISHING LLC	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013/2014
SALES PER SH	6.04	5.81	5.68	7.05	7.24	6.93	7.65	7.93	--	
"CASH FLOW" PER SH	1.91	1.62	1.52	1.90	1.95	1.93	2.04	2.11	--	
EARNINGS PER SH	1.16	.88	.81	1.05	1.11	1.19	1.13	1.13	***1.41*** [A,B]	***1.41*** [C]***/NA***
DIV'DS DECL'D PER SH	.84	.85	.86	.87	.88	.90	.92	.94	--	
CAP'L SPENDING PER SH	1.58	1.96	1.96	2.24	2.44	3.28	3.06	2.61	--	
BOOK VALUE PER SH	10.94	11.52	11.60	11.95	12.23	12.67	13.05	13.50	--	
COMMON SHS OUTST'G (MILL)	8.04	8.17	8.27	8.38	8.46	8.57	8.68	8.76	--	
AVG ANN'L P/E RATIO	22.9	28.6	29.0	23.0	22.2	18.4	20.7	23.0	***22.2***	***22.2/NA***
RELATIVE P/E RATIO	1.21	1.51	1.57	1.22	1.34	1.22	1.32	1.44	--	
AVG ANN'L DIV'D YIELD	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	3.6%	--	
SALES ($MILL)	48.5	47.5	46.9	59.0	61.3	59.4	66.4	69.4	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	51.0%	48.3%	43.7%	40.8%	49.0%	35.8%	40.7%	54.1%	--	
DEPRECIATION ($MILL)	6.0	6.1	5.9	7.2	7.1	6.4	7.9	8.6	--	
NET PROFIT ($MILL)	9.4	7.2	6.7	8.8	9.4	10.2	9.8	9.9	--	
INCOME TAX RATE	22.9%	--	23.5%	32.4%	27.2%	19.5%	35.2%	41.3%	--	
NET PROFIT MARGIN	19.4%	15.1%	14.3%	14.9%	15.4%	17.2%	14.8%	14.2%	--	
WORKING CAP'L ($MILL)	d.7	13.0	1.2	8.1	d3.3	d13.1	d14.7	d11.5	--	
LONG-TERM DEBT ($MILL)	66.4	77.4	77.3	92.3	92.2	112.0	111.7	135.3	--	
SHR. EQUITY ($MILL)	88.7	94.9	96.7	100.9	104.2	109.3	114.0	119.0	--	
RETURN ON TOTAL CAP'L	7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	4.9%	--	
RETURN ON SHR. EQUITY	10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	8.3%	--	
RETAINED TO COM EQ	3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	1.4%	--	
ALL DIV'DS TO NET PROF	71%	95%	105%	82%	79%	76%	81%	83%	--	

[A]No. of analysts changing earn. est. in last 5 days: 0 up, 0 down, consensus 5-year earnings growth not available. [B]Based upon 6 analysts' estimates. [C]Based upon 6 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	5.0%	3.5%
"Cash Flow"	4.0%	3.5%
Earnings	4.0%	--
Dividends	1.5%	2.0%
Book Value	3.0%	3.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/10	13.8	15.9	21.0	15.7	66.4
12/31/11	16.0	17.4	20.6	15.4	69.4
12/31/12	20.2	21.3			
12/31/13					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/09	.13	.27	.67	.12	1.19
12/31/10	.12	.27	.54	.20	1.13
12/31/11	.26	.37	.39	.11	1.13
12/31/12	.22	.47	***.56***	***.19***	
12/31/13	***.25***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2009	.222	.222	.228	.228	.90
2010	.228	.228	.233	.233	.92
2011	.233	.233	.238	.238	.94
2012	.238	.238	.243		

INSTITUTIONAL DECISIONS

	4Q'11	1Q'12	2Q'12
to Buy	23	27	38
to Sell	29	22	29
Hld's(000)	2881	3053	3095

ASSETS ($mill.)	2010	2011	6/30/12
Cash Assets	1.0	1.0	3.4
Receivables	10.1	14.9	18.8
Inventory (Avg cost)	1.7	1.1	1.5
Other	7.6	1.9	2.7
Current Assets	20.4	18.9	26.4
Property, Plant & Equip, at cost	471.6	496.1	- -
Accum Depreciation	127.4	133.7	- -
Net Property	344.2	362.4	424.8
Other	60.6	83.5	102.3
Total Assets	425.2	464.8	553.5
LIABILITIES ($mill.)			
Accts Payable	6.6	7.2	7.6
Debt Due	26.3	21.4	25.5
Other	2.2	1.8	3.8
Current Liab	35.1	30.4	36.9

LONG-TERM DEBT AND EQUITY as of 6/30/12

Total Debt $213.4 mill. **Due in 5 Yrs.** NA
LT Debt $187.8 mill.
Including Cap. Leases NA
(61% of Cap'l)
Leases, Uncapitalized Annual rentals NA

Pension Liability $23.6 mill. in '11 vs. $16.7 mill. in '10

Pfd Stock $.8 mill. **Pfd Div'd Paid** NMF

Common Stock 8,815,234 shares
(39% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Connecticut Water Service, Inc. operates as a water utility company in Connecticut. The Water Activities segment supplies public drinking water to residential, commercial, industrial, public authority, and fire protection customers. The Real Estate Transactions segment is involved in the sale of its limited excess real estate holdings. The Services and Rentals segment provides contracted services to water and wastewater utilities; and leases certain of its properties to third parties. This segment's services include contract operations of water and wastewater facilities; Linebacker, a service-line protection plan for public drinking water customers; and bulk deliveries of emergency drinking water to businesses and residences via tanker truck. As of March 13, 2012, the company provided drinking water to approximately 106,000 customers or 350,000 people in Connecticut and Maine. Has 198 employees. Chairman, C.E.O. & President: Eric W. Thornburg. Inc.: CT. Address: 93 West Main Street, Clinton, CT 06413. Tel.: (860) 669-8636. Internet: http://www.ctwater.com.

J.V.

October 19, 2012

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2012

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
10.93%	14.63%	31.78%	59.07%	64.93%

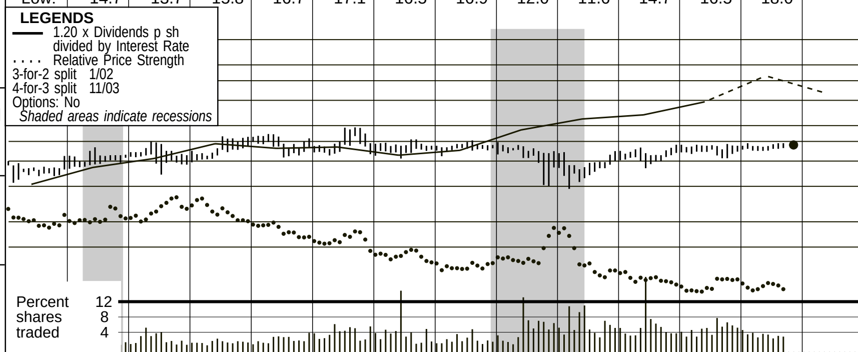
MIDDLESEX WATER NDQ-MSEX

RECENT PRICE	19.24	P/E RATIO	20.5 (Trailing: 24.7; Median: 22.0)	RELATIVE P/E RATIO	1.35	DIV'D YLD	3.8%	VALUE LINE

TIMELINESS 3 Raised 8/31/12
SAFETY 2 New 10/21/11
TECHNICAL 3 Raised 6/29/12
BETA .70 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High:	18.7	20.0	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6
Low:	14.7	13.7	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5	18.0

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 1/02
4-for-3 split 11/03
Options: No
Shaded areas indicate recessions



Target Price Range
2015 | 2016 | 2017

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+30%)	*10%*
Low	18	(-5%)	*3%*

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	1	1
Options	0	0	0	0	0	0	0	0	0
to Sell	1	1	0	0	1	0	1	0	1

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	33	29	32
to Sell	27	31	30
Hld's(000)	6476	6511	6653

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.8	28.2
3 yr.	43.5	42.3
5 yr.	24.6	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
4.52	4.72	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	6.50	***6.55***	***7.10***	Revenues per sh	***8.40***
.94	1.02	1.02	1.19	.99	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	1.52	***1.50***	***1.75***	"Cash Flow" per sh	***2.20***
.60	.67	.71	.76	.51	.66	.73	.61	.73	.71	.82	.87	.89	.72	.96	.84	***.85***	***1.00***	Earnings per sh A	***1.25***
.55	.57	.58	.60	.61	.62	.63	.65	.66	.67	.68	.69	.70	.71	.72	.73	***.74***	***.75***	Div'd Decl'd per sh B■	***.80***
.73	1.20	2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	1.50	***1.90***	***2.15***	Cap'l Spending per sh	***2.60***
5.85	6.00	6.80	6.95	6.98	7.11	7.39	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	11.27	***11.80***	***12.55***	Book Value per sh	***13.60***
8.41	8.54	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	15.70	***16.00***	***16.25***	Common Shs Outst'g C	***17.25***
14.4	13.4	15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	21.9	*Bold figures are*		Avg Ann'l P/E Ratio	***17.0***
.90	.77	.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	1.40	1.13	1.32	*Value Line*		Relative P/E Ratio	***1.15***
6.4%	6.3%	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	4.2%	*estimates*		Avg Ann'l Div'd Yield	***3.8%***

CAPITAL STRUCTURE as of 6/30/12
Total Debt $140.1 mill. **Due in 5 Yrs** $25.0 mill.
LT Debt $135.1 mill. **LT Interest** $6.0 mill.
(LT interest coverage: 4.5x)
(43% of Cap'l)

Pension Assets-12/11 $32.2 mill.
Oblig. $56.2 mill.
Pfd Stock $3.4 mill. **Pfd Div'd:** $.2 mill.

Common Stock 15,733,286 shs.
as of 7/31/12

MARKET CAP: $300 million (Small Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
61.9	64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	102.0	***105***	***115***	Revenues ($mill)	***145***
7.8	6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	13.5	***14.0***	***16.0***	Net Profit ($mill)	***21.5***
33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	32.5%	***32.0%***	***32.0%***	Income Tax Rate	***32.0%***
- -	- -	- -	- -	- -	- -	- -	- -	6.8%	7.5%	***7.5%***	***7.5%***	AFUDC % to Net Profit	***7.0%***
52.1%	53.8%	53.8%	55.3%	49.5%	49.0%	45.6%	46.6%	43.1%	43.0%	***42.0%***	***41.0%***	Long-Term Debt Ratio	***39.0%***
45.5%	44.0%	42.5%	41.3%	47.5%	49.6%	51.8%	52.1%	55.8%	57.0%	***58.0%***	***59.0%***	Common Equity Ratio	***61.0%***
168.0	181.1	214.5	231.7	264.0	268.8	259.4	267.9	310.5	309.1	***325***	***345***	Total Capital ($mill)	***385***
211.4	230.9	262.9	288.0	317.1	333.9	366.3	376.5	405.9	422.2	***440***	***455***	Net Plant ($mill)	***500***
6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	5.3%	***4.5%***	***4.5%***	Return on Total Cap'l	***5.5%***
9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	7.5%	***7.5%***	***8.0%***	Return on Shr. Equity	***9.0%***
9.8%	8.0%	9.0%	8.6%	7.8%	8.7%	8.9%	7.0%	8.2%	7.6%	***7.5%***	***8.0%***	Return on Com Equity	***9.0%***
1.3%	NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	1.1%	***1.0%***	***2.0%***	Retained to Com Eq	***3.0%***
87%	106%	90%	94%	84%	79%	78%	98%	75%	85%	***85%***	***76%***	All Div'ds to Net Prof	***64%***

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	2.5	3.1	2.7
Other	20.3	19.8	20.7
Current Assets	22.8	22.9	23.4
Accts Payable	6.4	5.7	4.8
Debt Due	4.4	4.6	5.0
Other	29.9	36.4	38.7
Current Liab.	40.7	46.7	48.5
Fix. Chg. Cov.	400%	380%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	3.0%	1.5%	*4.0%*
"Cash Flow"	3.5%	3.5%	*7.0%*
Earnings	2.5%	4.5%	*7.0%*
Dividends	2.0%	1.5%	*1.5%*
Book Value	4.5%	5.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	20.6	23.1	25.5	22.0	91.2
2010	21.6	26.5	29.6	25.0	102.7
2011	24.0	26.1	28.7	23.3	102.1
2012	23.5	27.4	***30.0***	***24.1***	***105***
2013	***28.0***	***28.0***	***32.0***	***27.0***	***115***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.10	.21	.29	.12	.72
2010	.11	.31	.37	.17	.96
2011	.17	.23	.32	.12	.84
2012	.11	.23	***.33***	***.18***	***.85***
2013	***.20***	***.25***	***.35***	***.20***	***1.00***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.175	.175	.175	.178	.70
2009	.178	.178	.178	.180	.71
2010	.180	.180	.180	.183	.72
2011	.183	.183	.183	.185	.73
2012	.185	.185	.185		

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. in 2011, the Middlesex System accounted for 64% of total revenues. At 12/31/11, the company had 289 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.39% of the common stock; BlackRock, 6.2%; The Vanguard Group, 5.4% (4/12 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.

Middlesex Water underperformed in the first half of the year. In fact, share earnings fell 15% compared to the same time frame last year. The bottom-line decline was attributable to higher costs related to employee benefits and continued softness in its New Jersey market. A number of its largest commercial and industrial customers decreased consumption due to reduced output from their production processes. This market could remain challenged in the near term, as New Jersey has an above-average unemployment rate and an anemic housing market that could hinder growth opportunities for the state in the coming years.

Rate increases should help stem rising costs. Over the summer, the company's Tidewater business in Delaware was approved for a $3.9 million increase in its base water rates. Additionally, the New Jersey Board of Public Utilities approved an $8.1 million increase for its New Jersey customers in its Middlesex System. (The company had requested a rate increase of $11.3 million per year.) Tidewater Environmental Services (TESI) also received a partial rate increase for its wastewater services business.

Capital investment will likely help longer-term growth. The company has invested half of the $22 million it has projected on storage tanks, water mains, and service lines. Additionally, capex outlays are expected to exceed $34 million over the next two years. The vast majority of these investments are targeted toward its Distribution systems. We believe the focus on water distribution infrastructure is crucial to help offset the weakening demand on the company's commercial and industrial customers. The residential market in New Jersey will probably continue to struggle, as an elevated unemployment rate and a slumping housing market hurt consumer demand.

The issue has a Timeliness rank of 3 (Average) and holds an above-average Safety rank. The income-minded investor may find these shares appealing, as the dividend yield is above the *Value Line* median. However, the stock's below-average 3- to 5-year capital appreciation potential is less than ideal for the longer-term investor at this time.

Michael Collins *October 19, 2012*

(A) Diluted earnings. Next earnings report due late October.
(B) Dividends historically paid in mid-Feb., May, Aug., and November.■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.
(D) Intangible assets in 2011: $8.2 million, $0.55 a share.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	85

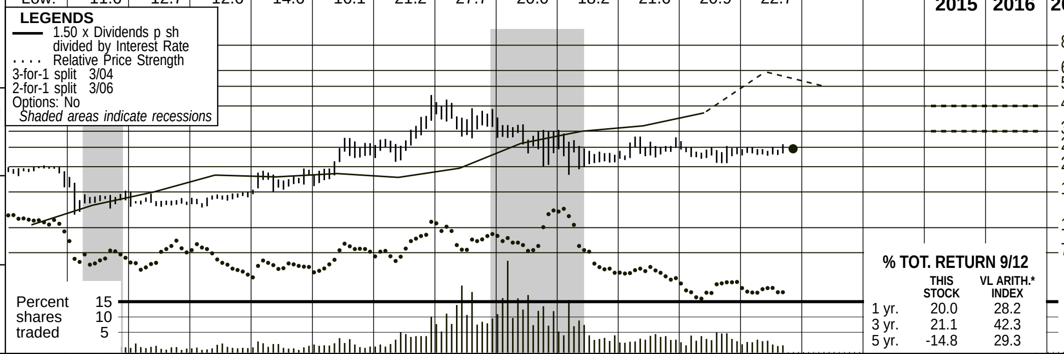
SJW CORP. NYSE-SJW

RECENT PRICE **24.55** | P/E RATIO **23.4** (Trailing: 21.7, Median: 23.0) | RELATIVE P/E RATIO **1.54** | DIV'D YLD **2.9%** | VALUE LINE

TIMELINESS 3 Raised 8/12/11
SAFETY 3 New 4/22/11
TECHNICAL 3 Lowered 9/21/12
BETA .85 (1.00 = Market)

High:	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	25.8
Low:	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	20.9	22.7

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+65%)	15%
Low	30	(+20%)	7%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	1	1	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2011	1Q2012	2Q2012
to Buy	24	34	34
to Sell	32	22	31
Hld's(000)	8847	9012	8955

% TOT. RETURN 9/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	20.0	28.2
3 yr.	21.1	42.3
5 yr.	-14.8	29.3

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.86	**12.50**	**12.60**	Revenues per sh	**13.70**
1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	**2.85**	**2.90**	Cash Flow" per sh	**3.05**
.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	**1.05**	**1.15**	Earnings per sh A	**1.35**
.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	**.71**	**.73**	Div'd Decl'd per sh B■	**.80**
1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	**4.10**	**4.75**	Cap'l Spending per sh	**3.70**
6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	**15.30**	**15.70**	Book Value per sh	**17.15**
19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	**20.00**	**21.00**	Common Shs Outst'g C	**23.00**
6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	**25.5**
.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.34	*estimates*		Relative P/E Ratio	**1.70**
5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%			Avg Ann'l Div'd Yield	**2.3%**

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	239.0	**255**	**275**	Revenues ($mill)	**315**
14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.8	20.9	**21.0**	**24.0**	Net Profit ($mill)	**31.0**
40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	38.8%	41.1%	**41.0%**	**41.0%**	Income Tax Rate	**40.0%**
4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	2.0%	3.0%	**5.0%**	**5.0%**	AFUDC % to Net Profit	**5.0%**
41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.6%	**53.0%**	**53.0%**	Long-Term Debt Ratio	**52.0%**
58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	43.4%	**47.0%**	**47.0%**	Common Equity Ratio	**48.0%**
263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	607.8	**650**	**705**	Total Capital ($mill)	**825**
390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	756.2	**810**	**875**	Net Plant ($mill)	**1050**
6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.3%	5.0%	**5.0%**	**5.0%**	Return on Total Cap'l	**5.0%**
9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	**7.0%**	**7.5%**	Return on Shr. Equity	**7.0%**
9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.2%	7.9%	**7.0%**	**7.5%**	Return on Com Equity	**7.0%**
3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	3.1%	**2.0%**	**2.5%**	Retained to Com Eq	**3.0%**
59%	53%	58%	47%	46%	57%	59%	80%	80%	61%	**68%**	**64%**	All Div'ds to Net Prof	**59%**

CAPITAL STRUCTURE as of 6/30/12
Total Debt $344.2 mill. **Due in 5 Yrs** $8.3 mill.
LT Debt $335.9 mill. **LT Interest** $18.6 mill.
(Total interest coverage: 2.9x) (56% of Cap'l)

Leases, Uncapitalized: Annual rentals $4.5 mill.

Pension Assets-12/11 $62.8 mill.
Oblig. $123.9 mill.

Pfd Stock None.

Common Stock 18,636,796 shs.
as of 7/20/12
MARKET CAP: $450 million (Small Cap)

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	1.7	26.7	9.3
Other	36.3	42.2	49.0
Current Assets	38.0	68.9	58.3
Accts Payable	5.5	7.4	14.3
Debt Due	5.1	.8	8.3
Other	18.6	20.1	23.3
Current Liab.	29.2	28.3	45.9
Fix. Chg. Cov.	262%	276%	*250%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	6.0%	4.5%	*2.0%*
"Cash Flow"	6.0%	2.5%	*3.5%*
Earnings	2.0%	-3.0%	*6.5%*
Dividends	5.0%	5.0%	*3.0%*
Book Value	5.5%	4.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	40.0	58.2	69.3	48.6	216.1
2010	40.4	54.1	70.3	50.8	215.6
2011	43.7	59.0	73.9	62.4	239.0
2012	51.2	65.6	**75.0**	**63.2**	**255**
2013	**55.0**	**70.0**	**82.0**	**68.0**	**275**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	.03	.29	.44	.35	1.11
2012	.06	.28	**.45**	**.26**	**1.05**
2013	**.06**	**.33**	**.48**	**.28**	**1.15**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.16	.16	.16	.16	.64
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173	.173	.173	.173	.69
2012	.1775	.1775	.1775		

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.

Rising costs of doing business weighed on SJW's earnings in the second quarter. Cumulative rate increases helped the water utility post an 11% sales increase, but 23% higher water production costs, due to a reduced supply and higher purchase and extraction prices, caused earnings to dip 4%. Higher administrative and interest expenses also took a toll.

We suspect that the earnings environment will remain difficult in the months ahead. There is no evidence that operating costs will subside anytime soon. In fact, maintenance expenses are likely to remain on an upswing, as water systems continue to age and systems require further repairs. Meanwhile, the company is expected to receive little, if any, help on the regulatory front in the upcoming months, as there are no rate case decisions likely to be handed down until yearend. That said, a favorable ruling on the 2013-2015 general rate case ought to provide moderate earnings upside next year.

Our longer-term expectations remain muted because of the likelihood of growing capital requirements. Infrastructure improvements are expected to cost hundreds of millions of dollars over the next few years. However, SJW's cash reserves are running on empty, and cash flow from operations is slated to fall well short of the amount needed to implement the necessary changes. The company will have to issue more stock and/or debt to make the changes, but such financial actions will dilute gains for the foreseeable future. As a result, we look for annual earnings gains to remain in the mid single digit range over the next 3- to 5-years.

We are not proponents of this stock at this time. It lacks growth appeal due to the capital-intensive nature of the industry and the company's aforementioned financial limitations regardless of whether or not regulatory backing improves in 2013. The dividend is solid and adds a nice touch, but those seeking an income producer have far better options to choose from elsewhere. Plus, we still contend that there remains the possibility that the company would have to revise the payout if operating conditions worsen and regulatory authorities decide to take on a more consumer-friendly stance.

Andre J. Costanza *October 19, 2012*

(A) Diluted earnings. Excludes nonrecurring losses : '03, $1.97; '04, $3.78; '05, $1.09; '06, $16.36; '08, $1.22; '10, 46¢. Next earnings report due late October. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	60
Earnings Predictability	85

YORK WATER CO NDQ--YORW

RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
17.95	26.8	1.64	3.0%

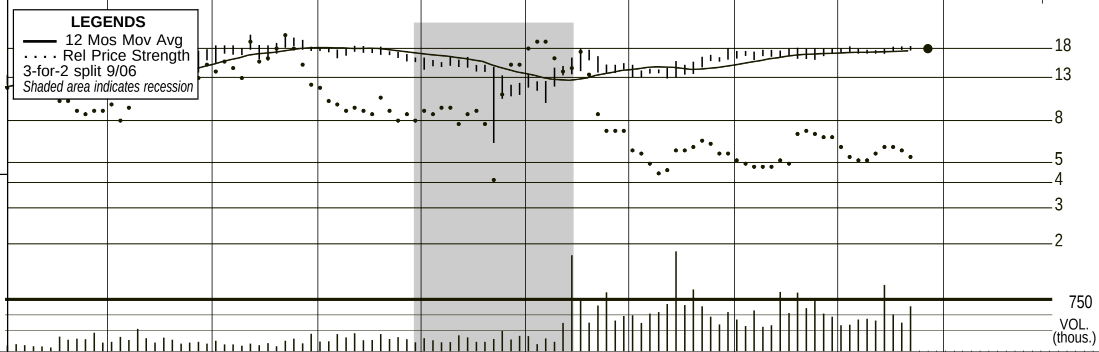
VALUE LINE

RANKS

PERFORMANCE	2	Above Average
Technical	3	Average
SAFETY	2	Above Average
BETA .65		(1.00 = Market)

Financial Strength	B++
Price Stability	95
Price Growth Persistence	65
Earnings Predictability	100

	2004	2005	2006	2007	2008	2009	2010	2011	2012	
High	14.03	17.87	20.99	18.55	16.50	17.95	18.00	18.14	18.49	High
Low	11.00	11.67	15.33	15.45	6.23	9.74	12.83	15.81	16.94	Low



© VALUE LINE PUBLISHING LLC	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013/2014
REVENUES PER SH	2.18	2.58	2.56	2.79	2.89	2.95	3.07	3.18	--	
"CASH FLOW" PER SH	.65	.79	.77	.86	.88	.95	1.07	1.09	--	
EARNINGS PER SH	.49	.56	.58	.57	.57	.64	.71	.71	*.71* A,B	*.79* C*/NA*
DIV'D DECL'D PER SH	.39	.42	.45	.48	.49	.51	.52	.53	--	
CAP'L SPENDING PER SH	2.50	1.69	1.85	1.69	2.17	1.18	.83	.74	--	
BOOK VALUE PER SH	4.65	4.85	5.84	5.97	6.14	6.92	7.19	7.45	--	
COMMON SHS OUTST'G (MILL)	10.33	10.40	11.20	11.27	11.37	12.56	12.69	12.79	--	
AVG ANN'L P/E RATIO	25.7	26.3	31.2	30.3	24.6	21.9	20.7	23.9	***25.3***	***22.7/NA***
RELATIVE P/E RATIO	1.36	1.39	1.68	1.61	1.48	1.46	1.32	1.50	--	
AVG ANN'L DIV'D YIELD	3.1%	2.9%	2.5%	2.8%	3.5%	3.6%	3.5%	3.1%	--	
REVENUES ($MILL)	22.5	26.8	28.7	31.4	32.8	37.0	39.0	40.6	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
NET PROFIT ($MILL)	4.8	5.8	6.1	6.4	6.4	7.5	8.9	9.1	--	
INCOME TAX RATE	36.7%	36.7%	34.4%	36.5%	36.1%	37.9%	38.5%	35.3%	--	
AFUDC % TO NET PROFIT	--	--	7.2%	3.6%	10.1%	--	1.2%	1.1%	--	
LONG-TERM DEBT RATIO	42.5%	44.1%	48.3%	46.5%	54.5%	45.7%	48.3%	47.1%	--	
COMMON EQUITY RATIO	57.5%	55.9%	51.7%	53.5%	45.5%	54.3%	51.7%	52.9%	--	
TOTAL CAPITAL ($MILL)	83.6	90.3	126.5	125.7	153.4	160.1	176.4	180.2	--	
NET PLANT ($MILL)	140.0	155.3	174.4	191.6	211.4	222.0	228.4	233.0	--	
RETURN ON TOTAL CAP'L	7.6%	8.4%	6.2%	6.7%	5.7%	6.2%	6.5%	6.4%	--	
RETURN ON SHR. EQUITY	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	--	
RETURN ON COM EQUITY	10.0%	11.6%	9.3%	9.5%	9.2%	8.6%	9.8%	9.5%	--	
RETAINED TO COM EQ	2.1%	3.0%	2.2%	1.7%	1.4%	1.9%	2.7%	2.5%	--	
ALL DIV'DS TO NET PROF	79%	74%	77%	82%	85%	78%	72%	73%	--	

[A]No. of analysts changing earn. est. in last 5 days: 0 up, 0 down, consensus 5-year earnings growth not available. [B]Based upon 5 analysts' estimates. [C]Based upon 5 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	4.5%	3.5%
"Cash Flow"	7.0%	2.5%
Earnings	5.0%	--
Dividends	4.0%	2.5%
Book Value	7.0%	3.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/10	9.0	9.7	10.5	9.8	39.0
12/31/11	9.6	10.5	10.5	10.0	40.6
12/31/12	9.7	10.4			
12/31/13					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/09	.13	.17	.18	.16	.64
12/31/10	.15	.18	.21	.17	.71
12/31/11	.17	.19	.19	.16	.71
12/31/12	.15	.17	***.21***	***.18***	
12/31/13	***.17***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2009	.126	.126	.126	.126	.50
2010	.128	.128	.128	.128	.51
2011	.131	.131	.131	.134	.53
2012	.133	.134	.134	.134	

INSTITUTIONAL DECISIONS

	4Q'11	1Q'12	2Q'12
to Buy	30	26	33
to Sell	20	20	19
Hld's(000)	3211	3220	3270

ASSETS ($mill.)	2010	2011	6/30/12
Cash Assets	1.3	4.0	2.9
Receivables	6.3	6.0	6.0
Inventory (Avg cost)	.6	.7	.8
Other	.6	.7	.7
Current Assets	8.8	11.4	10.4
Property, Plant & Equip, at cost	270.8	279.2	- -
Accum Depreciation	42.4	46.2	- -
Net Property	228.4	233.0	236.4
Other	22.7	29.8	29.8
Total Assets	259.9	274.2	276.6
LIABILITIES ($mill.)			
Accts Payable	1.2	1.1	1.3
Debt Due	.0	.0	.0
Other	4.1	4.2	4.1
Current Liab	5.3	5.3	5.4

LONG-TERM DEBT AND EQUITY as of 6/30/12

Total Debt $85.0 mill. **Due in 5 Yrs.** NA
LT Debt $85.0 mill.
Including Cap. Leases NA
(47% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $14.7 mill. in '11 vs. $9.8 mill. in '10

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 12,855,471 shares
(53% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: The York Water Company engages in the impounding, purification, and distribution of water in York and Adams Counties, Pennsylvania. The company has two reservoirs, Lake Williams and Lake Redman, which together hold approximately 2.2 billion gallons of water. It also has a 15- mile pipeline from the Susquehanna River to Lake Redman that provides access to an additional supply of 12.0 million gallons of untreated water per day. The company's service territory has an estimated population of 187,000. Industry within the company's service territory is diversified, manufacturing such items as fixtures and furniture, electrical machinery, food products, paper, ordnance units, textile products, air conditioning systems, laundry detergent, barbells, and motorcycles. As of December 31, 2011, The York Water Company served approximately 187,000 residential, commercial, industrial, and other customers in 39 municipalities in York County and seven municipalities in Adams County. Has 106 employees. C.E.O. & President: Jeffrey R. Hines. Inc.: PA. Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: http://www.yorkwater.com. *J.V.*

October 19, 2012

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2012

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
3.26%	7.59%	16.80%	45.59%	28.51%

Tega Cay Water Services, Inc.
Current Institutional Holdings and Individual Holdings
the Proxy Group of Nine Water Companies

	1	2
	October 31, 2012 Percentage of Institutional Holdings	October 31, 2012 Percentage of Individual Holdings (1)
Proxy Group of Nine Water Companies		
American States Water Co.	64.32 %	35.68 %
American Water Works Co., Inc.	81.61	18.39
Aqua America, Inc.	43.76	56.24
Artesian Resources Corp.	37.59	62.41
California Water Service Group	52.39	47.61
Connecticut Water Service, Inc.	35.16	64.84
Middlesex Water Company	40.32	59.68
SJW Corporation	48.35	51.65
York Water Company	25.99	74.01
Average	47.72 %	52.28 %

Notes:
(1) (1 - column 1).

Source of Information: pro.edgar-online.com, October 31, 2012

Tega Cay Water Services, Inc.
Summary of Risk Premium Models for the
Proxy Group of Nine Water Companies

	Proxy Group of Nine Water Companies	
Predictive Risk Premium Model ™ (PRPM™) (1)	11.28	%
Risk Premium Using an Adjusted Market Approach (2)	9.77	%
Average	10.53	%

Notes:
(1) From page 2 of this Schedule.
(2) From page 3 of this Schedule.

Tega Cay Water Services, Inc.
Derivation of Common Equity Cost Rate
Using the Predictive Risk Premium Model ™ (PRPM ™)
Proxy Group of Nine Water Companies

	American States Water Co.	American Water Works Co., Inc.	Aqua America, Inc.	Artesian Resources Corp.	California Water Service Group	Connecticut Water Service, Inc.	Middlesex Water Company	SJW Corporation	York Water Company
GARCH Coefficient (1)	1.484830543	3.765018645	2.149240512	2.238295447	1.70801085	1.747090903	1.901480229	1.296520459	1.873951139
Average Variance (1)	0.38%	0.42%	0.48%	0.31%	0.32%	0.29%	0.27%	0.43%	0.48%
PRPM™ Derived Risk Premium (1)	7.04%	20.46%	13.21%	8.62%	6.68%	6.25%	6.39%	6.82%	11.45%
Risk-Free Rate (2)	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%	4.24%
Indicated Cost of Common Equity	11.28%	24.70%	17.45%	12.86%	10.92%	10.49%	10.63%	11.06%	15.69%
								Average	13.90%
								Median	11.28%

Notes:
(1) Based upon data from CRSP(R) Data © 2012, Center For Research in Security Prices (CRSP(R)), The University of Chicago Booth School of Business.
(2) From note 3 on page 2 of Schedule 9.

Tega Cay Water Services, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Nine Water Companies
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	3.83 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	0.52 (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	4.35 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.29 (3)
5.	Adjusted Prospective Bond Yield	4.64 %
6.	Equity Risk Premium (5)	5.13
7.	Risk Premium Derived Common Equity Cost Rate	9.77 %

Notes:
(1) Six quarter average consensus forecast ending with Q1 of 2014 of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see page 9 of this Schedule).
(2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.52% from page 4 of this Schedule.
(3) Adjustment to reflect the A3 Moody's bond rating of the proxy group of nine water companies as shown on page 6 of this Schedule. The 29 basis point adjustment is derived by taking 1/3 of the spread between Baa2 and A2 Public Utility Bonds (1/3 * 0.88% = 0.29%).
(4) From page 7 of this Schedule.

Tega Cay Water Services, Inc.
Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for the
Proxy Group of Nine Water Companies

	Moody's		Standard & Poor's							
	Bond Rating November 2012		Bond Rating November 2012							
Proxy Group of Nine Water Companies	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)	Credit Rating	Numerical Weighting (1)	Business Risk Profile (2)	Numerical Weighting (1)	Financial Risk Profile (2)	Numerical Weighting (1)
American States Water Co. (3)	A2	6.0	A+	5.0	A+	5.0	Excellent	1.0	Intermediate	3.0
American Water Works Co., Inc. (4)	Baa1	8.0	A	6.0	BBB+	8.0	Excellent	1.0	Significant	4.0
Aqua America, Inc. (5)	NR	- -	AA-	4.0	A+	5.0	Excellent	1.0	Intermediate	3.0
Artesian Resources Corp.	NR	- -	NR	- -	NR	- -	NR	- -	NR	- -
California Water Service Group (6)	NR	- -	AA-	4.0	A+	5.0	Excellent	1.0	Intermediate	3.0
Connecticut Water Service, Inc. (7)	NR	- -	A	6.0	A	6.0	Excellent	1.0	Significant	4.0
Middlesex Water Company	NR	- -	A	6.0	A-	7.0	Excellent	1.0	Significant	4.0
SJW Corporation (8)	NR	- -	A	6.0	A	6.0	Excellent	1.0	Significant	4.0
York Water Company	NR	- -	A-	7.0	A-	7.0	Excellent	1.0	Significant	4.0
Average	A3	7.0	A+ / A	5.5	A	6.1	Excellent	1.0	Significant	3.6

Notes: (1) From page 5 of this Schedule.
(2) From Standard & Poor's Issuer Ranking: U.S. Investor-Owned Water Utilities, Strongest to Weakest, August 6, 2012.
(3) Ratings, business risk and financial risk profiles are those of Golden State Water Company.
(4) Rating, business risk and financial risk profiles are those of Pennsylvania and New Jersey American Water.
(5) Ratings, business risk and financial risk profiles are those of Aqua Pennsylvania, Inc.
(6) Ratings, business risk and financial risk profiles are those of California Water Service Co.
(7) Ratings, business risk and financial risk profiles are those of Connecticut Water Company.
(8) Ratings, business risk and financial risk profiles are those of San Jose Water Co.

Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Tega Cay Water Services, Inc.
Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings
and Standard & Poor’s Business and Financial Risk Profiles

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

Standard & Poor’s

Business Risk Profile	Numerical Weighting	Financial Risk Profile	Numerical Weighting
Excellent	1	Minimal	1
Strong	2	Modest	2
Satisfactory	3	Intermediate	3
Fair	4	Significant	4
Weak	5	Aggressive	5
Vulnerable	6	Highly Leveraged	6

Moody's
Comparison of Interest Rate Trends
for the Three Months Ending September 2012 (1)

	Corporate Bonds	Public Utility Bonds			Spread - Corporate v. Public Utility Bonds			Spread - Public Utility Bonds	
Months	Aaa Rated	Aa Rated	A Rated	Baa Rated	Aa (Pub. Util.) over Aaa (Corp.)	A (Pub. Util.) over Aaa (Corp.)	Baa (Pub. Util.) over Aaa (Corp.)	A over Aa	Baa over A
September-12	3.49 %	3.69 %	4.02 %	4.81 %					
August-12	3.48	3.65	4.00	4.88					
July-12	3.40	3.58	3.93	4.85					
Average of Last 3 Months	3.46 %	3.64 %	3.98 %	4.85 %	0.18 %	0.52 %	1.39 %	0.34 %	0.87 %

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, October 2012, Vol. 79, No. 10.

Tega Cay Water Services, Inc.
Judgment of Equity Risk Premium for the Proxy Group of Nine Water Companies

Line No.		Proxy Group of Nine Water Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.69 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.57
3.	Average equity risk premium	5.13 %

Notes: (1) From page 8 of this Schedule.
(2) From page 10 of this Schedule.

Tega Cay Water Services, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Nine Water Companies

Line No.		Proxy Group of Nine Water Companies
	Based on SBBI Valuation Yearbook Data:	
1.	Ibbotson Equity Risk Premium (1)	5.51 %
2.	Ibbotson Equity Risk Premium based on PRPM™ (2)	9.09
	Based on Value Line Summary and Index:	
3.	Equity Risk Premium Based on Value Line Summary and Index (3)	11.64
4.	Conclusion of Equity Risk Premium (4)	8.75 %
5.	Adjusted Value Line Beta (5)	0.65
6	Beta Adjusted Equity Risk Premium	5.69 %

Notes:

(1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® SBBI® 2012 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation minus the arithmetic mean monthly yield of Moody's Aaa and Aa corporate bonds from 1926 - 2011. (11.77% - 6.26% = 5.51%).

(2) The Predictive Risk Premium Model (PRPM™) is discussed in Ms. Ahern's accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM™ is derived by applying the PRPM™ to the monthly risk premiums between Ibbotson large company common stock monthly returns minus the average Aaa and Aa corporate monthly bond yields, from January 1928 through September 2012.

(3) The equity risk premium based on the Value Line Summary and Index is derived from taking the projected 3-5 year total annual market return of 15.47% (described fully in note 1 of page 2 of Schedule 9) and subtracting the average consensus forecast of Aaa corporate bonds of 3.83% (Shown on page 3 of this Schedule). (15.47% - 3.83% = 11.64%).

(4) Average of Lines 1, 2, & 3.

(5) Median beta derived from page 1 of Schedule 9.

Sources of Information:

Ibbotson® SBBI® 2012 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation, Morningstar, Inc., 2012 Chicago, IL.
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, November 1, 2012

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

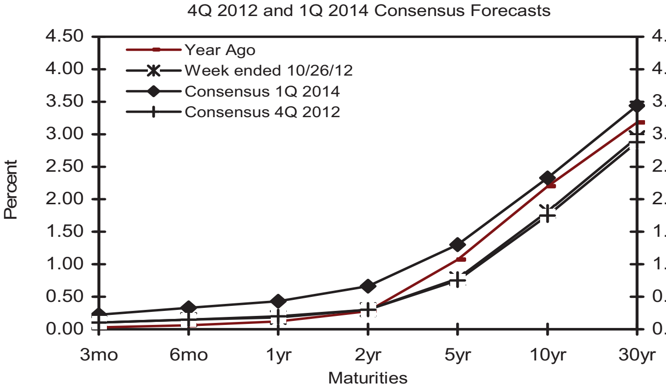
	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			Latest Q	4Q	1Q	2Q	3Q	4Q	1Q
Interest Rates	Oct. 26	Oct. 19	Oct. 12	Oct. 5	Sept.	August	July	3Q 2012	2012	2013	2013	2013	2013	2014
Federal Funds Rate	0.16	0.16	0.15	0.13	0.14	0.13	0.16	0.14	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**
LIBOR, 3-mo.	0.32	0.33	0.35	0.35	0.39	0.43	0.46	0.43	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**
Commercial Paper, 1-mo.	0.13	0.14	0.13	0.13	0.12	0.14	0.14	0.13	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.3**
Treasury bill, 3-mo.	0.10	0.10	0.10	0.10	0.11	0.10	0.10	0.10	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**
Treasury bill, 6-mo.	0.15	0.15	0.15	0.14	0.14	0.14	0.15	0.14	**0.1**	**0.2**	**0.2**	**0.2**	**0.3**	**0.3**
Treasury bill, 1 yr.	0.18	0.18	0.18	0.17	0.18	0.18	0.19	0.18	**0.2**	**0.2**	**0.2**	**0.3**	**0.3**	**0.4**
Treasury note, 2 yr.	0.30	0.29	0.27	0.24	0.26	0.27	0.25	0.26	**0.3**	**0.3**	**0.4**	**0.5**	**0.5**	**0.7**
Treasury note, 5 yr.	0.78	0.74	0.67	0.63	0.67	0.71	0.62	0.67	**0.8**	**0.8**	**0.9**	**1.1**	**1.2**	**1.3**
Treasury note, 10 yr.	1.81	1.79	1.71	1.67	1.72	1.68	1.53	1.64	**1.7**	**1.8**	**2.0**	**2.1**	**2.2**	**2.3**
Treasury note, 30 yr.	2.95	2.94	2.88	2.86	2.88	2.77	2.59	2.75	**2.9**	**3.0**	**3.1**	**3.2**	**3.3**	**3.4**
Corporate Aaa bond	3.50	3.50	3.44	3.44	3.49	3.48	3.40	3.46	**3.6**	**3.6**	**3.8**	**3.9**	**4.0**	**4.1**
Corporate Baa bond	4.53	4.55	4.60	4.69	4.84	4.91	4.87	4.87	**4.8**	**4.8**	**4.9**	**5.1**	**5.2**	**5.3**
State & Local bonds	3.68	3.68	3.64	3.61	3.73	3.74	3.78	3.75	**3.7**	**3.7**	**3.8**	**3.8**	**3.9**	**4.0**
Home mortgage rate	3.41	3.37	3.39	3.36	3.50	3.60	3.55	3.55	**3.5**	**3.5**	**3.6**	**3.8**	**3.9**	**4.0**

	History								Consensus Forecasts-Quarterly					
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Key Assumptions	2010	2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2013	2014
Major Currency Index	73.0	71.9	69.6	69.9	72.4	72.9	73.9	74.0	**73.1**	**73.5**	**73.9**	**74.2**	**74.2**	**74.3**
Real GDP	2.4	0.1	2.5	1.3	4.1	2.0	1.3	2.0	**1.8**	**1.7**	**2.2**	**2.6**	**2.8**	**2.8**
GDP Price Index	2.1	2.0	2.6	3.0	0.4	2.0	1.6	2.8	**2.1**	**1.9**	**1.8**	**2.0**	**2.0**	**2.1**
Consumer Price Index	3.0	4.5	4.4	3.1	1.3	2.5	0.8	2.3	**2.4**	**1.8**	**2.1**	**2.3**	**2.2**	**2.2**

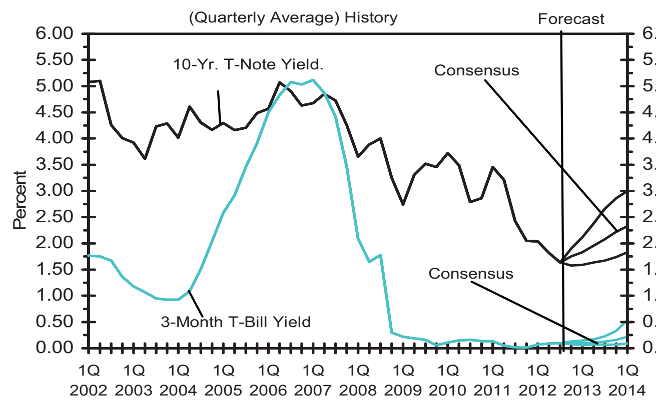
Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

U.S. Treasury Yield Curve

Week ended October 26, 2012 and Year Ago vs.
4Q 2012 and 1Q 2014 Consensus Forecasts

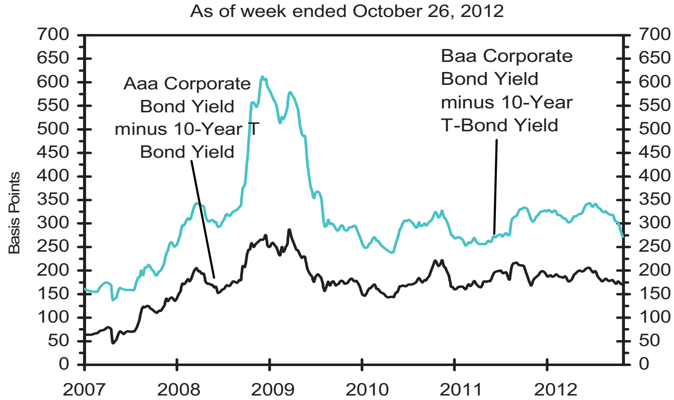


U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield



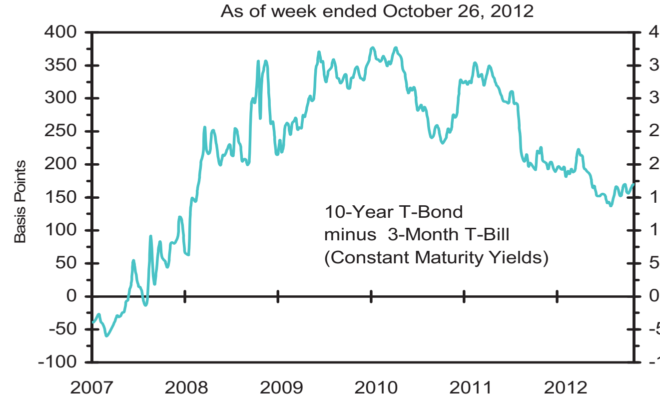
Corporate Bond Spreads

As of week ended October 26, 2012



U.S. Treasury Yield Curve

As of week ended October 26, 2012



Tega Cay Water Services, Inc.
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

Line No.		Over A Rated Moody's Public Utility Bonds - AUS Consultants Study (1)
1.	Arithmetic Mean Holding Period Returns on the Standard & Poor's Utility Index 1926-2011 (2):	10.56 %
2.	Arithmetic Mean Yield on Moody's A Rated Public Utility Yields 1926-2011	(6.75)
3.	Historical Equity Risk Premium	3.81 %
4.	Forecasted Equity Risk Premium Based on PRPM™ (3)	5.33
5.	Average of Historical and PRPM™ Equity Risk Premium	4.57 %

Notes: (1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2011, (AUS Consultants, 2012).

(2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

(3) The Predictive Risk Premium Model (PRPM™) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A rated public utility bonds from 1928 - 2011.

Tega Cay Water Services, Inc.
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	1	2	3	4	5	6
Proxy Group of Nine Water Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	0.70	9.29 %	4.24 %	10.74 %	11.44 %	
American Water Works Co., Inc.	0.65	9.29	4.24	10.28	11.09	
Aqua America, Inc.	0.60	9.29	4.24	9.81	10.74	
Artesian Resources Corp.	0.55	9.29	4.24	9.35	10.39	
California Water Service Group	0.65	9.29	4.24	10.28	11.09	
Connecticut Water Service, Inc.	0.75	9.29	4.24	11.21	11.79	
Middlesex Water Company	0.70	9.29	4.24	10.74	11.44	
SJW Corporation	0.85	9.29	4.24	12.14	12.48	
York Water Company	0.65	9.29	4.24	10.28	11.09	
Average	0.68			10.54 %	11.28 %	10.91 %
Median	0.65			10.28 %	11.09 %	10.69 %

See page 2 for notes.

Tega Cay Water Services, Inc.
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Nine Water Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

(1) For reasons explained in Ms. Ahern's accompanying direct testimony, from the 13 weeks ending November 2, 2012, Value Line Summary & Index, a forecasted 3-5 year total annual market return of 15.47% can be derived by averaging the 13 weeks ending November 2, 2012 forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 64% produces a four-year average annual return of 13.16% (($1.64^{0.25}$) - 1). When the average annual forecasted dividend yield of 2.31% is added, a total average market return of 15.47% (2.31% + 13.16%) is derived.

The 13 weeks ending November 2, 2012 forecasted total market return of 15.47% minus the risk-free rate of 4.24% (developed in Note 2) is 11.23% (15.47% - 4.24%).

The Predictive Risk Premium Model (PRPM™) market equity risk premium of 10.19% is derived by applying the PRPM™ to the monthly equity risk premium of large company common stocks over the income return on long-term U.S. Government Securities from January 1926 through September 2012.

The Morningstar, Inc. (Ibbotson Associates) calculated arithmetic mean monthly market equity risk premium of 6.45% for the period 1926-2011 results from a total market return of 11.77%% less the arithmetic mean income return on long-term U.S. Government Securities of 5.32% (11.77% - 5.32% = 6.45%).

These three expectational risk premiums are then averaged, resulting in a 9.29% market equity risk premium, which is then multiplied by the beta in column 1 of page 1 of this Schedule. ((11.23% + 10.18% + 6.45%)/3).

(2) For reasons explained in Ms. Ahern's direct testimony, the risk-free rate that Ms. Ahern relies upon for her CAPM analysis is the average of the historical income return on 30 Year Treasury Bonds which is 5.32% for 1926-2011 and the average forecast based upon six quarterly estimates of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated November 1, 2012 (see page 9 of Exhibit 8).The estimates are detailed below:

Morningstar Historical Income Returns
On 30 Year Treasury Bonds (1926-2011): 5.32%

	30-Year Treasury Note Yield
Fourth Quarter 2012	2.90%
First Quarter 2013	3.00%
Second Quarter 2013	3.10%
Third Quarter 2013	3.20%
Fourth Quarter 2013	3.30%
First Quarter 2014	3.40%
Average	3.15%

Average of Historical and Projected
Returns on 30 Year Treasury Bonds: 5.32%
3.15
8.47%

8.47%/2 = 4.24%

(3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$R_S = R_F + \beta (R_M - R_F)$

Where R_S = Return rate of common stock
R_F = Risk Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

(4) The empirical CAPM is applied using the following formula:

$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$

Where R_S = Return rate of common stock
R_F = Risk-Free Rate
β = Value Line Adjusted Beta
R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, November 1, 2012
Value Line Investment Survey, (Standard Edition), October 19, 2012
Ibbotson® SBBI® 2012 Valuation Yearbook – Market Returns for Stocks, Bonds, Bills and Inflation, Morningstar, Inc., 2012, Chicago, IL

Tega Cay Water Services, Inc.
Summary of Cost of Equity Models Applied to the
Proxy Group of Non-Price-Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Principal Methods		Twenty-Nine Non-Price-Regulated Companies	
Projected Return on Book Common Equity (1)		14.75	%
Average of Market-Based Models (2)		11.24	%
	Average	13.00	%

Notes:
(1) From Schedule 12.
(2) Average of the results of the DCF (11.48%), RPM (11.15%), and CAPM / ECAPM (11.09%) analyses as shown on pages 1, 2, and 5 of Schedule 13 respectively.

Tega Cay Water Services, Inc.
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

Proxy Group of Nine Water Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
American States Water Co.	0.70	0.50	3.3880	0.0651
American Water Works Co., Inc.	0.65	0.45	3.1198	0.0624
Aqua America, Inc.	0.60	0.38	2.5887	0.0497
Artesian Resources Corp.	0.55	0.29	2.6177	0.0503
California Water Service Group	0.65	0.43	2.9893	0.0574
Connecticut Water Service, Inc.	0.75	0.56	3.1233	0.0600
Middlesex Water Company	0.70	0.53	2.6927	0.0517
SJW Corporation	0.85	0.72	3.7302	0.0717
York Water Company	0.65	0.46	3.1519	0.0606
Average	0.68	0.48	3.0446	0.0588

Beta Range (+/- 2 std. Devs. of Beta)	0.36	0.60
2 std. Devs. of Beta	0.12	
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.7770	3.3122
Std. dev. of the Res. Std. Err.	0.1338	
2 std. devs. of the Res. Std. Err.	0.2676	

Tega Cay Water Services, Inc.
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Proxy Group of Twenty-Nine Non-Price-Regulated Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
Gallagher (Arthur J.)	0.75	0.57	3.0272	0.0582
Baxter Intl Inc.	0.70	0.48	2.9591	0.0569
Bristol-Myers Squibb	0.70	0.52	2.8178	0.0541
Brown & Brown	0.75	0.55	3.1992	0.0615
ConAgra Foods	0.65	0.42	2.7842	0.0535
Capitol Fed. Finl	0.65	0.41	3.2571	0.0626
CenturyLink Inc.	0.75	0.57	3.0688	0.0590
Quest Diagnostics	0.75	0.57	2.7972	0.0538
DaVita Inc.	0.70	0.47	2.9033	0.0558
Haemonetics Corp.	0.65	0.40	2.8886	0.0555
Hershey Co.	0.65	0.40	2.7790	0.0534
IAC/InterActiveCorp	0.75	0.60	3.2626	0.0664
Kroger Co.	0.60	0.37	2.9354	0.0564
Lancaster Colony	0.70	0.54	3.2377	0.0622
McKesson Corp.	0.75	0.58	3.2916	0.0633
Mercury General	0.70	0.48	3.0456	0.0585
Mead Johnson Nutrition	0.65	0.43	3.0823	0.0810
Marsh & McLennan	0.75	0.60	2.8876	0.0555
Northwest Bancshares	0.75	0.60	3.2027	0.0615
Owens & Minor	0.70	0.52	3.2789	0.0630
Peoples United Finl	0.70	0.48	3.0918	0.0594
Sherwin-Williams	0.70	0.48	3.0546	0.0587
Smucker (J.M.)	0.70	0.50	2.9584	0.0568
Silgan Holdings	0.75	0.56	2.9539	0.0568
Suburban Propane	0.75	0.57	3.0145	0.0579
Stericycle Inc.	0.70	0.50	3.0129	0.0579
Weis Markets	0.65	0.43	2.9829	0.0573
Watson Pharmac.	0.75	0.55	3.2962	0.0633
Berkley (W.R.)	0.70	0.50	3.0518	0.0586
Average	0.71	0.51	3.0387	0.0593
Proxy Group of Nine Water Companies	0.68	0.48	3.0446	0.0588

Basis of Selection of the Group of Non-Price Regulated Companies
Comparable in Total Risk to the Proxy Group of Nine Water Companies

(1) The criteria for selection of the proxy group of twenty-nine non-price regulated companies was that the non-price regulated companies be domestic and have a meaningful projected rate of return on book common equity, shareholder's equity, net worth or partner's capital for the years 2014-2016, as reported in Value Line Investment Survey (Standard Edition). The proxy group of twenty-nine non-price regulated companies was selected based upon the water industry unadjusted beta range of 0.36 – 0.60 and standard error of the regression range of 2.7770 – 3.3122. These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and standard errors of the regression.

(2) The standard deviation of the water industry's standard error of the regression is 0.1368. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1368 = \frac{3.0446}{\sqrt{518}} = \frac{3.0446}{22.7596}$$

Source of Information: Value Line, Inc., September 15, 2012
Value Line Investment Survey (Standard Edition)

Tega Cay Water Services, Inc.
Comparable Earnings Analysis
for the Proxy Group of Non-Price-Regulated Companies Comparable to the
Proxy Group of Nine Water Companies(1)

Proxy Group of Twenty-Nine Non-Price-Regulated Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth, or Partner's Capital 5-Year Projected (2): 5 Year Projection	Student's T Statistic
Gallagher (Arthur J.)	0.75	0.57	3.0272	0.0582	14.50 %	(0.3)
Baxter Intl Inc.	0.70	0.48	2.9591	0.0569	36.00	1.6
Bristol-Myers Squibb	0.70	0.52	2.8178	0.0541	23.00	0.5
Brown & Brown	0.75	0.55	3.1992	0.0615	12.00	(0.5)
ConAgra Foods	0.65	0.42	2.7842	0.0535	18.50	0.1
Capitol Fed. Finl	0.65	0.41	3.2571	0.0626	3.50	(1.3)
CenturyLink Inc.	0.75	0.57	3.0688	0.0590	8.00	(0.9)
Quest Diagnostics	0.75	0.57	2.7972	0.0538	16.00	(0.2)
DaVita Inc.	0.70	0.47	2.9033	0.0558	17.00	(0.1)
Haemonetics Corp.	0.65	0.40	2.8886	0.0555	10.50	(0.6)
Hershey Co.	0.65	0.40	2.7790	0.0534	50.50 (3)	2.9
IAC/InterActiveCorp	0.75	0.60	3.2626	0.0664	11.00	(0.6)
Kroger Co.	0.60	0.37	2.9354	0.0564	24.00	0.5
Lancaster Colony	0.70	0.54	3.2377	0.0622	16.50	(0.1)
McKesson Corp.	0.75	0.58	3.2916	0.0633	19.00	0.1
Mercury General	0.70	0.48	3.0456	0.0585	9.50	(0.7)
Mead Johnson Nutrition	0.65	0.43	3.0823	0.0810	50.50 (3)	2.9
Marsh & McLennan	0.75	0.60	2.8876	0.0555	17.00	(0.1)
Northwest Bancshares	0.75	0.60	3.2027	0.0615	8.00	(0.9)
Owens & Minor	0.70	0.52	3.2789	0.0630	13.00	(0.4)
Peoples United Finl	0.70	0.48	3.0918	0.0594	8.00	(0.9)
Sherwin-Williams	0.70	0.48	3.0546	0.0587	28.50	0.9
Smucker (J.M.)	0.70	0.50	2.9584	0.0568	11.50	(0.6)
Silgan Holdings	0.75	0.56	2.9539	0.0568	16.00	(0.2)
Suburban Propane	0.75	0.57	3.0145	0.0579	NMF	(1.6)
Stericycle Inc.	0.70	0.50	3.0129	0.0579	15.00	(0.3)
Weis Markets	0.65	0.43	2.9829	0.0573	9.00	(0.8)
Watson Pharmac.	0.75	0.55	3.2962	0.0633	21.00	0.3
Berkley (W.R.)	0.70	0.50	3.0518	0.0586	12.50	(0.5)
Average	0.71	0.51	3.0387	0.0593		
Average for the Proxy Group of Nine Water Companies	0.68	0.48	3.0446 (1)	0.0588		
Median (4)					15.50%	
Conservative Median (5)					14.75%	

Notes:
(1) See Page 4 of Schedule 12.
(2) From Value Line Investment Survey, various issues for the years 2013 - 2015 / 2014 - 2016.
(3) The student's T statistic associated with these returns exceeds 2.048 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper projected returns as fully explained in Ms. Ahern's testimony.
(4) Median five year projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital including returns identified as outliers as outlined in note (3) above.
(5) Median five year projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital excluding returns identified as outliers as outlined in note (3) above.

Tega Cay Water Services, Inc.
DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the Proxy Group of Nine Water Companies

Proxy Group of Twenty-Nine Non-Price-Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate
Gallagher (Arthur J.	3.79 %	10.00 %	11.00 %	11.80 %	11.74 %	11.14 %	4.00 %	15.14 %
Baxter Intl Inc.	2.23	9.50	8.00	8.70	8.31	8.63	2.33	10.96
Bristol-Myers Squibb	4.14	8.00	2.80	2.80	2.80	4.10	4.22	8.32
Brown & Brown	1.31	7.00	12.00	12.60	11.80	10.85	1.38	12.23
ConAgra Foods	3.63	9.00	7.30	7.30	7.38	7.75	3.77	11.52
Capitol Fed. Finl	2.55	8.00	NA	NA	3.00	5.50	2.62	8.12
CenturyTel, Inc.	7.11	1.50	5.80	4.40	8.34	5.01	7.29	12.30
Quest Diagnostics	1.11	7.00	11.00	11.70	11.98	10.42	1.17	11.59
DaVita Inc.	-	13.00	12.00	12.60	11.85	12.36	-	NA
Haemonetics Corp.	-	9.50	12.00	13.00	12.33	11.71	-	NA
Hershey Co.	2.13	12.50	9.00	9.10	9.60	10.05	2.24	12.29
IAC/InterActiveCorp	0.92	32.50	22.00	16.70	26.17	24.34	1.03	25.37
Kroger Co.	1.97	10.00	8.80	9.10	9.08	9.25	2.06	11.31
Lancaster Colony	2.00	5.50	10.00	NA	10.00	8.50	2.08	10.58
McKesson Corp.	0.91	11.00	12.00	14.00	11.75	12.19	0.96	13.15
Mercury General	6.30	5.00	6.70	5.10	2.10	4.73	6.45	11.18
Mead Johnson Nutrition	1.66	12.50	11.00	10.30	11.35	11.29	1.75	13.04
Marsh & McLennan	2.71	15.00	11.00	11.90	12.23	12.53	2.87	15.40
Northwest Bancshares	3.99	13.50	5.00	5.00	5.00	7.13	4.14	11.27
Owens & Minor	3.05	8.00	8.20	8.80	8.20	8.30	3.18	11.48
Peoples United Fin	5.36	23.00	10.00	7.00	8.87	12.22	5.68	17.90
Sherwin-Williams	1.07	14.50	12.00	17.70	12.65	14.21	1.15	15.36
Smucker (J.M.)	2.28	8.00	8.00	8.70	8.07	8.19	2.37	10.56
Silgan Holdings	1.14	9.00	9.20	10.00	9.20	9.35	1.19	10.54
Suburban Propane	8.52	(1.00)	2.20	2.00	2.05	2.08	8.61	10.69
Stericycle Inc.	-	12.00	15.00	16.30	14.90	14.55	-	NA
Weis Markets	2.84	4.50	NA	NA	NA	4.50	2.90	7.40
Watson Pharmac.	-	17.00	11.00	11.90	11.78	12.92	-	NA
Berkley (W.R.)	0.95	13.50	9.60	9.50	9.00	10.40	1.00	11.40
Average								12.36 %
Median								11.48 %

NA= Not Available
NMF= Not Meaningful Figure

(1) Ms. Ahern's application of the DCF model to the domestic, non-price regluated comparable risk companies is identical to the application of the DCF to her proxy group of water companies. She uses the 60 day average price and the spot indicated dividend as of October 31, 2012 for her dividend yield and then adjusts that yield for 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey:
www.reuters.com Downloaded on 11/01/2012
www.zacks.com Downloaded on 11/01/2012
www.yahoo.com Downloaded on 11/01/2012

Tega Cay Water Services, Inc.
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

Line No.		Proxy Group of Twenty-Nine Non-Price-Regulated Companies
1.	Prospective Yield on Baa Rated Corporate Bonds (1)	5.02 %
2.	Equity Risk Premium (2)	6.13
3.	Risk Premium Derived Common Equity Cost Rate	11.15 %

Notes: (1) Average forecast based upon six quarterly estimates of Baa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated November 1, 2012 (see page 9 of Schedule 8). The estimates are detailed below.

Fourth Quarter 2012	4.80 %
First Quarter 2013	4.80
Second Quarter 2013	4.90
Third Quarter 2013	5.10
Fourth Quarter 2013	5.20
First Quarter 2014	5.30
Average	5.02 %

(2) From page 4 of this Schedule.

Tega Cay Water Services, Inc.
Comparison of Bond Ratings for the
Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

	Moody's Bond Rating November 2012		Standard & Poor's Bond Rating November 2012	
Proxy Group of Twenty-Nine Non-Price-Regulated Companies	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)
Gallagher (Arthur J.)	NR	- -	NR	- -
Baxter Intl Inc.	A3	7.0	A+	5.0
Bristol-Myers Squibb	A2	6.0	A+	5.0
Brown & Brown	NR	- -	NR	- -
ConAgra Foods	Baa2	9.0	BBB	9.0
Capitol Fed. Finl	NR	- -	NR	- -
CenturyLink Inc.	Baa3	10.0	BBB	9.0
Quest Diagnostics	Baa2	9.0	BBB+	8.0
DaVita Inc.	B2	15.0	B	15.0
Haemonetics Corp.	NR	- -	NR	- -
Hershey Co.	A2	6.0	A+	5.0
IAC/InterActiveCorp	Ba3	13.0	NR	- -
Kroger Co.	Baa2	9.0	BBB	9.0
Lancaster Colony	NR	- -	NR	- -
McKesson Corp.	Baa2	9.0	A-	7.0
Mercury General	NR	- -	NR	- -
Mead Johnson Nutrition	Baa1	8.0	BBB-	10.0
Marsh & McLennan	Baa2	9.0	BBB-	10.0
Northwest Bancshares	NR	- -	NR	- -
Owens & Minor	Ba1	11.0	BBB	9.0
Peoples United Finl	A2	6.0	NR	- -
Sherwin-Williams	A3	7.0	A	6.0
Smucker (J.M.)	A3	7.0	NR	- -
Silgan Holdings	Ba2	12.0	NR	- -
Suburban Propane	Ba3	13.0	BB-	13.0
Stericycle Inc.	NR	- -	NR	- -
Weis Markets	NR	- -	NR	- -
Watson Pharmac.	Baa3	10.0	NR	- -
Berkley (W.R.)	Baa2	9.0	BBB+	8.0
Average	Baa2	9.3	BBB+	8.5

Notes:
(1) From page 5 of Schedule 8.

Source of Information:
Standard & Poor's Bond Guide October 2012
www.moodys.com; downloaded 11/1/2012

Tega Cay Water Services, Inc.
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Non-Price-Regulated Companies
Proxy Group of Nine Water Companies

Line No.		Proxy Group of Twenty-Nine Non-Price-Regulated Companies
	Based on SBBI Valuation Yearbook Data:	
1.	Ibbotson Equity Risk Premium (1)	5.51 %
2.	Ibbotson Equity Risk Premium based on PRPMTM (2)	9.09
	Based on Value Line Summary and Index:	
3.	Equity Risk Premium Based on Value Line Summary and Index (3)	11.64
4.	Conclusion of Equity Risk Premium (4)	8.75 %
5.	Adjusted Value Line Beta (5)	0.70
6.	Forecasted Equity Risk Premium	6.13 %

Notes:

(1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® SBBI® 2012 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation minus the arithmetic mean monthly yield of Moody's Aaa and Aa corporate bonds from 1926 - 2011. (11.77% - 6.26% = 5.51%).

(2) The Predictive Risk Premium Model (PRPM™) is discussed in Ms. Ahern's accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM™ is derived by applying the PRPM™ to the monthly risk premiums between Ibbotson large company common stock monthly returns minus the average Aaa and Aa corporate monthly bond yields, from January 1928 through September 2012.

(3) From page 8 of Schedule 8.
(4) Average of Lines 1, 2, & 3.Average of Lines 1, 2, & 3.
(5) Median beta derived from page 5 of this Schedule.

Sources of Information:
Ibbotson® SBBI® 2012 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation, Morningstar, Inc., 2012 Chicago, IL.
Value Line Summary and Index
Blue Chip Financial Forecasts, November 1, 2012

Tega Cay Water Services, Inc.
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Proxy Group of Twenty-Nine Non-Price-Regulated Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
Gallagher (Arthur J.)	0.75	9.29 %	4.24 %	11.21 %	11.79 %	
Baxter Intl Inc.	0.70	9.29	4.24	10.74	11.44	
Bristol-Myers Squibb	0.70	9.29	4.24	10.74	11.44	
Brown & Brown	0.75	9.29	4.24	11.21	11.79	
ConAgra Foods	0.65	9.29	4.24	10.28	11.09	
Capitol Fed. Finl	0.65	9.29	4.24	10.28	11.09	
CenturyLink Inc.	0.75	9.29	4.24	11.21	11.79	
Quest Diagnostics	0.75	9.29	4.24	11.21	11.79	
DaVita Inc.	0.70	9.29	4.24	10.74	11.44	
Haemonetics Corp.	0.65	9.29	4.24	10.28	11.09	
Hershey Co.	0.65	9.29	4.24	10.28	11.09	
IAC/InterActiveCorp	0.75	9.29	4.24	11.21	11.79	
Kroger Co.	0.60	9.29	4.24	9.81	10.74	
Lancaster Colony	0.70	9.29	4.24	10.74	11.44	
McKesson Corp.	0.75	9.29	4.24	11.21	11.79	
Mercury General	0.70	9.29	4.24	10.74	11.44	
Mead Johnson Nutrition	0.65	9.29	4.24	10.28	11.09	
Marsh & McLennan	0.75	9.29	4.24	11.21	11.79	
Northwest Bancshares	0.75	9.29	4.24	11.21	11.79	
Owens & Minor	0.70	9.29	4.24	10.74	11.44	
Peoples United Finl	0.70	9.29	4.24	10.74	11.44	
Sherwin-Williams	0.70	9.29	4.24	10.74	11.44	
Smucker (J.M.)	0.70	9.29	4.24	10.74	11.44	
Silgan Holdings	0.75	9.29	4.24	11.21	11.79	
Suburban Propane	0.75	9.29	4.24	11.21	11.79	
Stericycle Inc.	0.70	9.29	4.24	10.74	11.44	
Weis Markets	0.65	9.29	4.24	10.28	11.09	
Watson Pharmac.	0.75	9.29	4.24	11.21	11.79	
Berkley (W.R.)	0.70	9.29	4.24	10.74	11.44	
Average	0.71			10.79 %	11.48 %	11.14 %
Median	0.70			10.74 %	11.44 %	11.09 %

Notes:
(1) From Schedule 11, page 2, note 1.
(2) From Schedule 11, page 2, note 2.
(3) Derived from the model shown on Schedule 11, page 2, note 3.
(4) Derived from the model shown on Schedule 11, page 2, note 4.
(5) Average of CAPM and ECAPM cost rates.

Tega Cay Water Services, Inc.
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.		1 Market Capitalization on October 31, 2012 (1) (millions)	1 (times larger)	2 Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	3 Applicable Size Premium (3)	4 Spread from Applicable Size Premium for (4)
1.	Tega Cay Water Services, Inc.					
a.	Based Upon the Proxy Group of Nine Water Companies	$ 2.543		10	6.10%	
2.	Proxy Group of Nine Water Companies	$ 1,444.244	567.9	6	1.75%	4.35%

	(A) Decile	(B) Number of Companies (millions)	(C) Recent Total Market Capitalization (millions)	(D) Recent Average Market Capitalization (millions)	(E) Size Premium (Return in Excess of CAPM) (2)
Largest	1	163	$ 8,865,444.654	$ 54,389.231	-0.38%
	2	181	2,044,297.841	$ 11,294.463	0.78%
	3	196	1,063,677.148	$ 5,426.924	0.94%
	4	201	664,148.153	$ 3,304.220	1.17%
	5	200	449,181.802	$ 2,245.909	1.74%
	6	238	369,281.218	$ 1,551.602	1.75%
	7	301	297,500.544	$ 988.374	1.77%
	8	333	208,267.900	$ 625.429	2.51%
	9	450	156,980.841	$ 348.846	2.80%
Smallest	10	1212	111,034.220	$ 91.612	6.10%

*From Ibbotson 2012 Yearbook

Notes:

(1) From Page 2 of this Schedule.
(2) Gleaned from Column (D) on the bottom of this page. The appropriate decile (Column (A)) corresponds to the market capitalization of the proxy group, which is found in Column 1.
(3) Corresponding risk premium to the decile is provided on Column (E) on the bottom of this page.
(4) Line No. 1a Column 3 – Line No. 2 Column 3 and Line No. 1b, Column 3 – Line No. 3 of Column 3 etc.. For example, the 4.35% in Column 4, Line No. 2 is derived as follows 4.35% = 6.1% - 1.75%.

Tega Cay Water Services, Inc.
Market Capitalization of Tega Cay Water Services, Inc. and
the Proxy Group of Nine Water Companies

Company	Exchange	1 Common Stock Shares Outstanding at Fiscal Year End 2011 (millions)	2 Book Value per Share at Fiscal Year End 2011 (1)	3 Total Common Equity at Fiscal Year End 2011 (millions)	4 Closing Stock Market Price on October 31, 2012	5 Market-to-Book Ratio on October 31, 2012 (2)	6 Market Capitalization on October 31, 2012 (3) (millions)
Tega Cay Water Services, Inc.		NA	NA	$ 1.296 (4)	NA		
Based Upon the Proxy Group of Nine Water Companies						196.2 % (5)	$ 2.543 (6)
Proxy Group of Nine Water Companies							
American States Water Co.		18.789	$ 21.750	$ 408.666	$ 44.020	202.4 %	$ 827.091
American Water Works Co., Inc.		175.664	$ 24.139	$ 4,240.384	$ 36.740	152.2	$ 6,453.895
Aqua America, Inc.		138.815	$ 9.014	$ 1,251.313	$ 25.390	281.7	$ 3,524.515
Artesian Resources Corp.		7.739	$ 14.601	$ 112.997	$ 23.010	157.6	$ 178.077
California Water Service Group		41.817	$ 10.757	$ 449.829	$ 18.420	171.2	$ 770.269
Connecticut Water Service, Inc.		8.755	$ 13.587	$ 118.961	$ 30.630	225.4	$ 268.178
Middlesex Water Company		15.682	$ 11.286	$ 176.981	$ 19.340	171.4	$ 303.290
SJW Corporation		18.593	$ 14.199	$ 264.004	$ 24.240	170.7	$ 450.690
York Water Company		12.792	$ 7.447	$ 95.265	$ 17.370	233.2	$ 222.191
Average		48.738	$ 14.087	$ 790.933	$ 26.573	196.2 %	$ 1,444.244

NA= Not Available

Notes:
(1) Column 3 / Column 1.
(2) Column 4 / Column 2.
(3) Column 5 * Column 3.
(4) From Financial Statements of Tega Cay Water Services, Inc. for Fiscal Year End 2011.
(5) The market-to-book ratio of Tega Cay Water Services, Inc. on October 31, 2012 is assumed to be equal to the market-to-book ratio of the Proxy Group of Nine Water Companies at October 31, 2012.
(6) Tega Cay Water Services, Inc.'s common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at October 31, 2012 of the Proxy Group of Nine Water Companies, 196.2%, and Tega Cay Water Services, Inc.'s market capitalization on October 31, 2012 would therefore have been $2.543 million.

Source of Information: 2011 Annual Forms 10K
yahoo.finance.com